

CLOSED
STACKS




**SAN FRANCISCO
PUBLIC LIBRARY**

REFERENCE BOOK

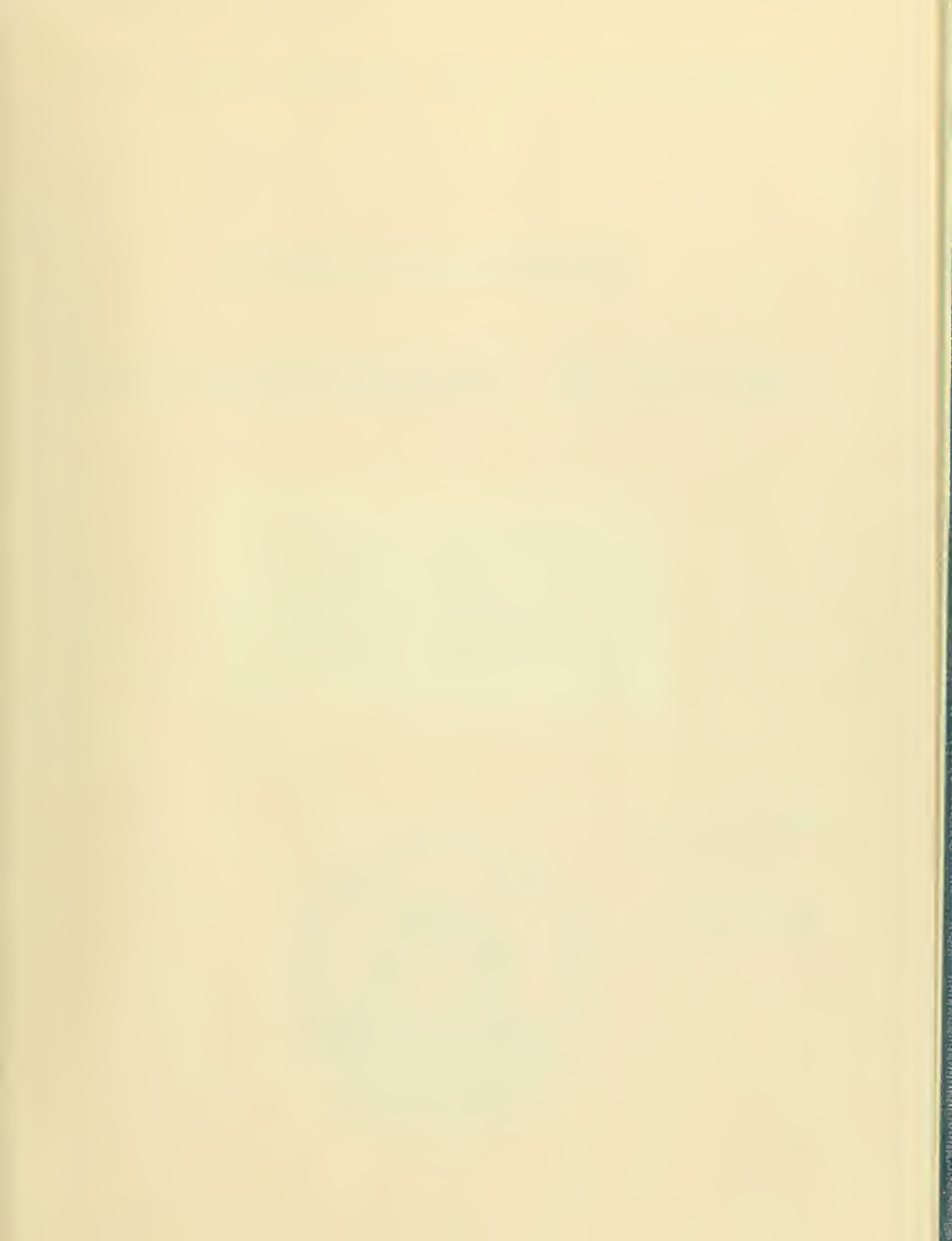
Not to be taken from the Library

FEB 16 1984





Digitized by the Internet Archive
in 2012 with funding from
California State Library Califa/LSTA Grant



CITY AND COUNTY OF SAN FRANCISCO

EMPLOYEES' RETIREMENT SYSTEM

ANNUAL REPORT

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM

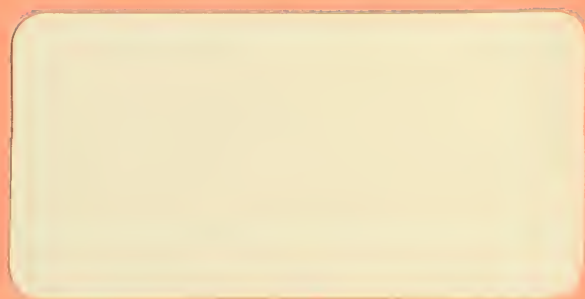
1980 - 1981



DOCUMENTS DEPT.

OCT 20 1981

SAN FRANCISCO
PUBLIC LIBRARY



ANNUAL REPORT

SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM

1980 - 1981

DOCUMENTS DEPT.
SAN FRANCISCO
PUBLIC LIBRARY

* 351.5

Sa S2r

TABLE OF CONTENTS

	<u>Page</u>
HISTORY OF RETIREMENT SYSTEM	1-2
ORGANIZATION CHART - RETIREMENT SYSTEM	3
RETIREMENT SYSTEM BUDGET	4
Administrative Budget	4
Investments Division Budget	4
Combined Budget	4
I RETIREMENT BOARD	5-6
II ADMINISTRATIVE DIVISION	7-9
III INVESTMENTS DIVISION	10-15
Investment Portfolio - Statistical History	11
Table 1 - Portfolio Investments, 1978-79	12
Table 2 - Analysis of Bond Holdings	13
Table 3 - Bond Distribution by Rating	14
Table 4 - Analysis of Common Stock Diversification	15
IV RETIREMENT SERVICES AND ACCOUNTING DIVISION	16-28
Membership	18-19
Social Security Coverage	19
City-County Contributions (Per Cent)	20
Employee Contributions (Per Cent)	20
City-County Contributions (Dollars)	21
Employee Contributions (Dollars)	21
Processing Center Activities	22
Service and Other Retirements, 1980-81	23
Years of Service at Retirement	23
Age Distribution at Retirement	23
Total Retirements - 5 Year Comparison	24
Average Monthly Allowances	24
Retirement Allowances - 5 Year Comparison	25
Death Benefits - 4 Year Comparison	26
Industrial Death Allowances	26
Withdrawal of Contributions - 5 Year Comparison	27
Retirement System Income	28
Retirement System Disbursements	28

TABLE OF CONTENTS
(continued)

	<u>Page</u>
WORKERS COMPENSATION DIVISION	29-33
Franciscan Treatment Room Patient Visits, 1980-81	30
Patient Visits - 5 Year Comparison	30
Number of Paid and Unpaid Disabilities -	
By Department, 1980-81	31
Workers Compensation Costs -	
By Department, 1980-81	32-33
Subrogation Settlements	33

HISTORY OF THE RETIREMENT SYSTEM

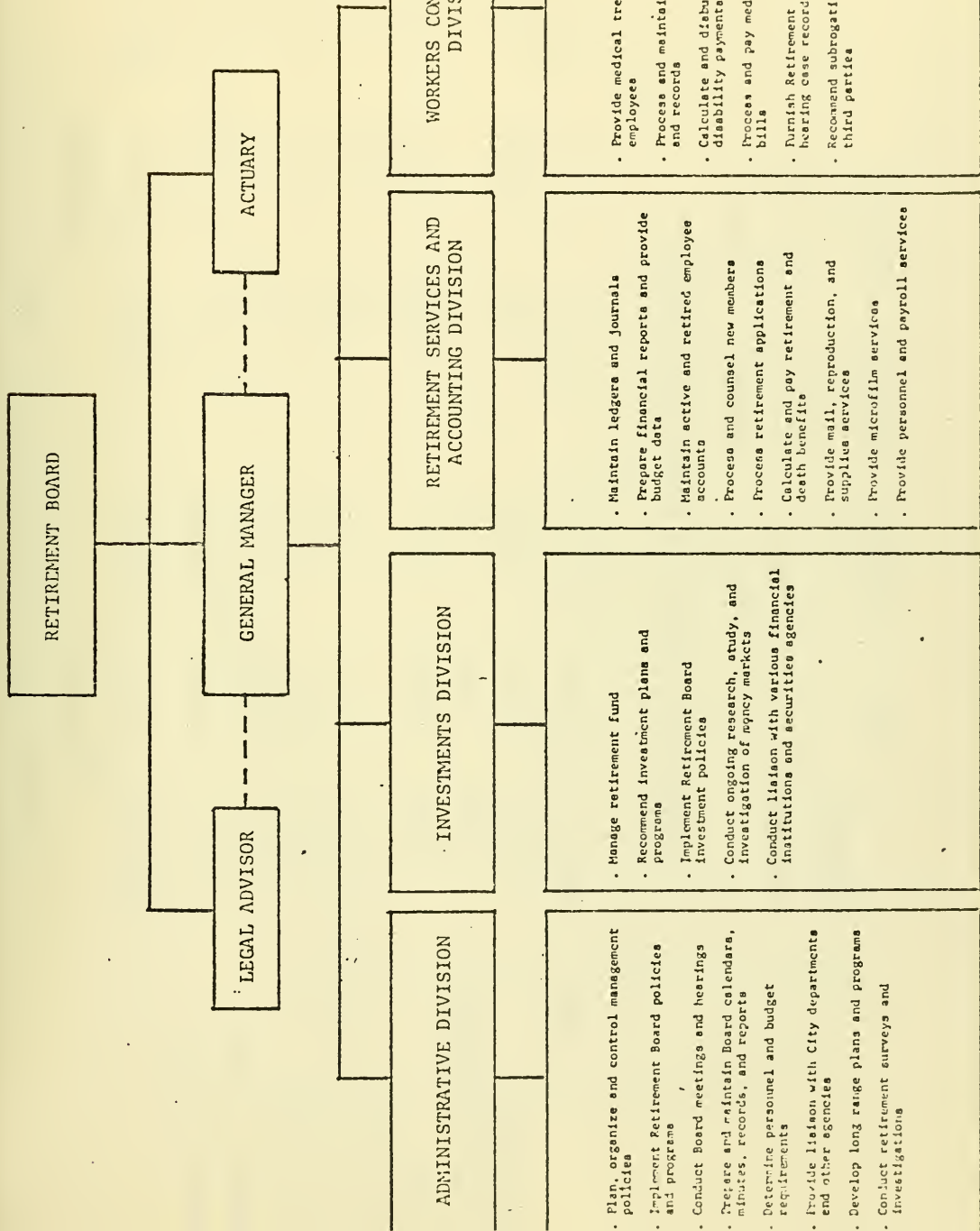
- A Brief Overview -

The San Francisco City Employees' Retirement System was officially established April 1, 1922. At that time, the membership was approximately 3700. In 1925, teachers from the school district were admitted as members. 1932 marked the year in which the Police Relief and Pension System (founded in 1878) and the Fire Pension System (founded in 1885) merged with the Retirement System to form the present System.

- Historical Changes to Retirement System -

- 1932 - New Charter. No major benefit changes. Continuation of the "Matching Plan" formula, with 70 years as mandatory retirement age. Workers Compensation Division created, with the City becoming permissably uninsured.
- 1939 - Hetch-Hetchy employees admitted into System.
- 1947 - 1-2/3% formula at age 60 instituted. Mandatory retirement age changed to 65 years. Elected officials admitted into the Retirement System, exclusive of members of the Board of Supervisors.
- 1960 - Social Security coverage for City employees authorized, except Police and Fire uniformed personnel; 50% retirement allowance offset provision established.
- 1968 - Cost of living increases (up to 2% per year) authorized retired employees.
- 1968 - 50% retirement allowance offset plan under Social Security coverage discontinued.

- 1968 - Deputized Sheriff personnel authorized to transfer to State Public Employees Retirement System (PERS) - (Actual transfer occurred in 1973).
- 1972 - School teachers allowed to transfer to State Teachers Retirement System (STRS).
- 1973 - Miscellaneous employee benefit formula changed from 1-2/3% to 2% at age 60; minimum retirement age reduced to age 50 and disability formula increased to 1.8% of average final compensation.
- 1976 - Electorate approves three new retirement plans (reduced benefits): Plans cover all Miscellaneous Employees, Police Officers and Firefighters hired after November 1, 1976.
- 1978 - Mandatory retirement at age 65 abolished for all members of the System except Police - Fire.
- 1979 - Retirement Fund established as a trust fund solely for benefit of active and retired members and their beneficiaries.
- 1979 - Authorizes pension funds and securities to be held by a recognized financial institution.
- 1980 - Establishes hearing officer procedure for disability leaves, disability retirements and death benefits.
- 1980 - Establishes 20 year period for amortization of retirement fund.
- 1980 - Authorizes Police - Fire buy-out plan and vesting rights.



THREE YEAR BUDGET COMPARISON

	<u>ADMINISTRATIVE</u>			<u>INVESTMENTS</u>		
	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>
PERSONNEL SERVICES	\$1,318,629	\$1,560,165	\$1,744,069	\$ 152,297	\$ 194,225	\$ 232,875
MATERIALS AND SUPPLIES	16,493	14,500	16,100	1,250	4,000	1,000
SERVICE CHARGES	524,329	480,550	514,802	132,642	113,400	157,340
COMMUNICATIONS	37,515	42,768	43,898	6,959	9,000	9,500
TRAVEL EXPENSE	-	-	-	770	7,669	8,000
RENTALS	74,494	89,053	93,404	33,769	50,459	47,980
REPAIRS AND MAINTENANCE	2,344	4,000	1,500	-	-	-
MISCELLANEOUS	12,855	54,771	46,295	4,451	66,081	75,150
TOTAL	\$1,988,659	\$2,245,807	\$2,460,068	\$ 332,138	\$ 444,834	\$ 532,845

COMBINED THREE YEAR COMPARISON

	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>
ADMINISTRATIVE	\$1,986,659	\$2,245,807	\$2,460,068
INVESTMENTS	332,138	444,834	532,845
TOTAL	\$2,318,797	\$2,690,641	\$2,992,713

I RETIREMENT BOARD

Charter Section 3.670 provides for the establishment of a Retirement Board and sets forth the method for election and/or appointment thereto.

MEMBERS OF THE BOARD (1980-81)

ELECTED BY MEMBERS

Peter D. Ashe (Vice-President)	Recreation and Park
Leon Bruschera	Fire Department
Warren DeMerritt	Municipal Railway

APPOINTED BY MAYOR

Ellison C. Grayson	Pension Consultant
Meta K. Stanley	Attorney
Raymond L. Weisberg, M.D. (President)	Internal Medicine

EX OFFICIO

John L. Molinari	President, Board of Supervisors
------------------	---------------------------------

The Board's major functions and responsibilities consist of several broad but comprehensive activities:

1. Determination of policies with respect to the management and administration of the Retirement System.
2. Determination and approval of a diversified investment program.
3. Determination and approval of tentative budget for administration of Retirement System and sole authority for determination and approval of Investment Division budget.
4. Fixing rates of contribution and interest earnings for members and for City and County, and approval of cost-of-living increases for retired members.

5. Selection and appointment of consulting actuary, and hearing officers for disability retirements and death benefits.
6. Approval of all contractual obligations, the transfer and appropriation of funds, and subrogation settlements and W.C.A.B. ratings.

During 1980-80, the Retirement Board took action on a number of significant items and issues, of which the following are illustrative:

- . Appointed the American Arbitration Association and the Office of Administrative Hearings (a State Agency) to hear and determine all applications for industrial and ordinary disability retirement and all death benefits.
- . Contracted with Milliman and Robertson to serve as the Board's new Consulting Actuary.
- . Selected and appointed the Crocker National Bank to serve as Custodian of all retirement funds and securities.
- . Selected and appointed Coopers and Lybrand to serve as Plan Administrator for the implementation of Proposition "F", the Police - Fire Buy-Out Plan.
- . Selected and appointed the legal firm of Howard, Prim, Rice, Nemerovski, Canaday and Pollock to serve as legal counsel for implementation of Proposition "F".
- . Contracted with Gates-McDonald Company to conduct an extensive survey and audit of the Workers Compensation Division.
- . Approved a 2% cost-of-living increase for all retired Miscellaneous Employees.

In retrospect, the Retirement Board, in divesting itself of the hearing process for disability retirements and death benefits, moved aggressively into other areas of vital interest, notably, investments, workers compensation, actuarial services, and implementation of the Police - Fire buy-out plan. The Board's concentration in these vital areas portends, in the coming years, improved services to the membership and the strengthening of the System's financial condition.

II ADMINISTRATIVE DIVISION

The Administrative Division, in general, is responsible for the supervision and direction of the various plans and programs carried out by the Retirement System. In addition, the Administrative Division executes and implements Retirement Board policies and directives, and acts as the chief liaison office in interaction with other city and county policy-making bodies such as the Mayor's Office, Board of Supervisors, Civil Service Commission and Controller's Office.

To carry-out and direct the administration of the Retirement System, the Retirement Board appoints a Secretary-General Manager who acts in the capacity of Appointing Officer, i.e., appointment and removal of all personnel, determination of staffing needs, budgeting control, implementation of plans and programs, etc.

The Board also appoints an Actuary and a Consulting Actuary, both of whom provide actuarial expertise to the Administrative Division in the development and implementation of plans, programs and reports governing the benefit structure of the Retirement System.

The Administrative Division performs a wide range of services on behalf of the Retirement Board: Preparation and distribution of calendars and minutes of all Board meetings; assisting the Board in the conduct of its meetings; preparing a variety of reports and correspondence relative to Board activities; and making recommendations and proposals to the Board on matters affecting the administration and management of the Retirement System.

As a result of action taken by the voters in the June 1980 municipal election, the Administrative Division implemented a new Hearing Officer procedure. Beginning October 1980, the Retirement Board was re-

lieved of its responsibility for the determination of all applications for disability leave, industrial and ordinary disability retirements, and death benefits. Two agencies, the American Arbitration Association and the California State Office of Administrative Hearings, were selected by the Retirement Board to hear and determine said applications.

The Administrative Division prepares and distributes all Hearing Calendars, assists the Hearing Officer in the conduct of all hearings, and prepares correspondence on all Hearing Officer decisions. From October 1980 through June 30, 1981, there were 128 hearings conducted by the Hearing Officers. The following is a list of the number of hearings held by category:

<u>CATEGORY</u>	<u>NO. OF HEARINGS</u>
INDUSTRIAL DISABILITY DETERMINATIONS	11
INDUSTRIAL DISABILITY RETIREMENTS	31
ORDINARY DISABILITY RETIREMENTS	61
DEATH BENEFITS	4
MISCELLANEOUS	21

Another Charter Amendment, Proposition "F", approved by the voters in November 1980, authorizes uniformed members of the Police and Fire Departments, who are members of the so-called "Old" plan, to receive a cash payment by agreeing to transfer their membership from the "Old" plan to the "New" plan. The Administrative Division is acting in the capacity of coordinator in bringing together all facets of the program and monitoring its progress through completion of the program, December 31, 1981.

The Administrative Division is also responsible for monitoring the Retirement System's Deferred Compensation Plan. The Plan, inaugurated in 1979, has attracted a sizeable number of plan participants. As of June 30, 1981, there were 1830 plan participants; annualized contributions to the plan reached \$5,119,452 at the close of the 1980-81 fiscal year.

In conclusion, the Administrative Division has played a significant role in the attainment of the Retirement System's goals and objectives. At the same time, the Administrative Division has ably assisted the Retirement Board in its successful transition from a body primarily involved in hearing and determining disability and related cases to a body primarily involved in the making of policies affecting the overall administration and management of the System.

III INVESTMENTS DIVISION

The fiscal year ended June 30, 1981, proved to be a rewarding period for the Retirement System's investment portfolio. Once again, total income derived from the portfolio was a record \$89,688,674.00. The book yield on the total portfolio was 7.41%. A continued effort was made throughout the fiscal year to enhance the overall returns on the portfolio. Approximately \$135,000,000 par value of bonds were purchased at an average yield of 14.02%; whereas, approximately \$73,000,000 of bonds were sold at an average yield of 8.4% in an effort to upgrade the income of the bond portfolio.

The overall investment policy of the Retirement System was re-examined and consideration is currently being given to implementing the following changes:

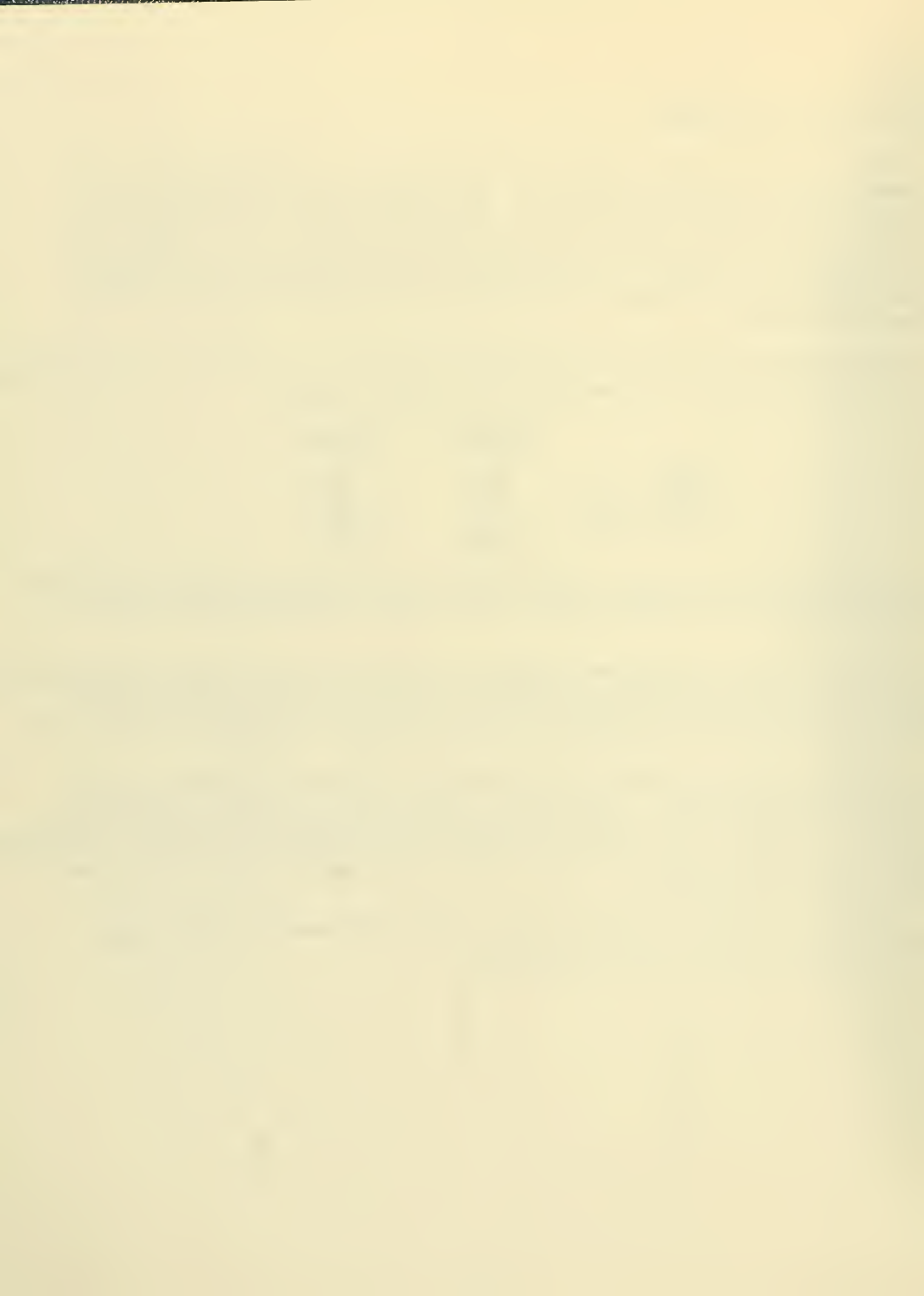
	<u>Current</u>	<u>Proposed</u>
Bonds	65%	50%
Common Stocks	30	40
Real Estate	5	10
	<u>100%</u>	<u>100%</u>

Throughout the course of the fiscal year, two significant changes occurred which should have a continuing positive effect on the future investment results of the Retirement System.

First, the Retirement System selected an outside custodian, Crocker National Bank, to physically hold the securities of the Retirement System. This step has greatly increased the efficiency and timeliness of the collection of interest, dividends, and principal payments which has enhanced interest income for the portfolio.

Secondly, a pilot program has been developed to write call options on stocks held in the equity portfolio. The intent of this activity is to garner additional income in the form of option premiums from the sale of selected stock options. As of the close of the fiscal year, the fund had 3,815 option contracts outstanding representing portions of 15 different equity holdings, with the combined realized and unrealized profits amounting to \$239,544.

As always, a continuing effort exists to better the overall results of the portfolio through active portfolio management.



A STATISTICAL HISTORY OF THE INVESTMENT PORTFOLIO

(Accrual Basis)

Fiscal Year Ended 6/30	Book Value of Portfolio (1)	Real Estate Income	Dividend And Interest Income	Total Income From Portfolio	Mean Book Yield On Portfolio	Year End Book Yield On Portfolio	Adjusted Year End Yield On Portfolio (3)	Realized Gains/(Loss) on Equity	Realized Gains/(Loss) On Bonds
1971	\$ 510,132,637	\$	\$23,025,297	\$	4.78%	4.51%	4.39%	\$ 590,267	\$(1,233,161)
1972	571,195,850		24,936,411		4.65	4.44	4.57	4,985,220	(4,243,596)
1973	604,049,911		28,125,428		4.83	4.66	4.61	595,554	(865,095)
1974	593,578,969(4)		38,336,405		4.89	4.90	3.93	(5,576,667)	(194,493)
1975	645,195,853		33,174,595		5.33	5.14	4.77	(1,620,193)	(722,012)
1976	696,481,480		34,264,156		5.11	4.92	4.94	(35,226)	(484,351)
1977	762,631,987		39,974,495		5.48	5.24	4.79	168,593	(3,550,647)
1978	851,665,422		48,370,166		5.99	5.68	4.93	(2,297,385)	(5,075,532)
1979	942,279,586	2,603,000	55,785,991	58,393,991	6.51	6.20	5.33	(3,777,931)	(4,404,566)
1980	1,085,585,341	3,346,000	68,152,192	71,498,193	7.05	6.59	7.61	15,415,271	(4,333,707)
1981	1,210,731,890	3,999,000*	82,298,420	82,297,420	7.52	7.13	7.41	37,199,021	(33,807,767)
Fiscal Year Ended 6/30	Total Realized Gains/(Losses) on Portfolio	Amortized Bond Value At Year End (2)	Book Equity Value At Year End	Bond Interest for Year	Equity Dividend for Year	Book Yield on Bonds (Mean Value)	Book Yield on Equities (Mean Value)	Real Estate	
1971	\$(642,884)	\$ 459,385,382	\$ 50,747,255	\$21,858,379	\$ 1,166,918	4.94%	2.95%		
1972	(721,624)	452,177,329	109,019,521	22,835,296	2,101,115	5.01	2.63		
1973	(270,541)	475,220,237	128,829,624	24,244,488	3,880,940	5.23	3.26		
1974	(5,771,157)	475,055,118	123,533,851	24,433,431	3,852,974	5.36	3.05		
1975	(2,342,210)	500,566,998	144,620,855	29,059,016	4,115,579	5.96	3.07		
1976	(519,577)	527,462,626	169,010,854	29,327,488	4,936,668	5.71	3.15		
1977	(3,422,057)	590,300,163	172,531,825	33,791,740	6,182,755	6.05	3.48		
1978	(6,372,927)	678,800,178	152,065,244	42,092,272	6,277,894	6.63	3.85		
1979	(8,182,237)	706,878,531	195,401,055	48,241,449	7,544,542	6.96	4.34		
1980	11,081,564	781,764,700	282,866,641	57,121,215	11,030,978	7.67	4.92		
1981	3,391,254	867,930,671	293,833,934	69,604,140	12,694,220	8.44	4.73	\$ 20,000,000 (5)	
								40,000,000	
								45,000,000	
								60,000,000	

(1) Includes only assets under investment management - excludes receivables and cash in Treasury

(2) Includes short term (money market) securities

(3) Income includes gains and losses

(4) Reduction due to School Teacher Transfer to STRS

(5) Initial Investment in Real Estate

* Distributed equity real estate income for fiscal year 1981 was \$398,679



PORTFOLIO INVESTMENTS AS OF 6/30/81

<u>Group</u>	<u>Cost</u>	<u>% of Total</u>	<u>Market Value</u>	<u>% of Total</u>	<u>Unrealized Gain/(Loss)</u>	<u>Income</u>	<u>Yield @ Cost</u>
Equity Real Estate	\$ 60,000,000	5.0%	\$ 73,840,000	7.0%	\$ 13,840,000	\$ 3,999,000*	6.7%
Money Market Securities	119,126,290	9.8	119,502,308	11.4	376,018	8,591,126	7.2 **
<u>Bonds</u>							
U. S. Treasury and Federal Agencies	\$ 111,723,175	9.2%	\$ 79,423,832	7.6%	\$(32,299,343)	\$ 8,800,612	7.9%
International Agencies	10,246,355	0.9	7,109,750	0.7	(3,136,605)	802,313	7.8
Canadian Bonds	62,545,516	5.2	43,947,451	4.2	(18,598,065)	6,000,345	9.6
Corporate Bonds	553,478,373	45.7	398,071,783	37.8	(155,406,590)	44,844,354	8.1
<u>Total Bonds</u>	\$ 737,993,419	61.0%	\$ 528,552,816	50.3%	\$(209,440,603)	\$60,447,624	8.2%
<u>CONVERTIBLE SECURITIES</u>	\$ 9,778,247	0.8%	\$ 8,233,750	0.8%	\$(1,544,497)	\$ 565,390	5.8%
<u>COMMON STOCKS</u>	\$ 283,833,934	23.4%	\$ 320,562,036	30.5%	\$ 36,728,102	\$12,695,280	4.5%
<u>Total Portfolio:</u>	\$1,210,731,890	100.0%	\$1,050,690,910	100.0%	\$(160,040,980)	\$86,297,420	7.1%

* Distributed equity real estate income for fiscal year 1981 was \$389,679

** Average quarterly balance of money market funds during the fiscal year was \$79,732,750, yield based on average was 10.8%

ANALYSIS OF BOND HOLDINGS AS OF 6/30/81

<u>Type</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>	<u>Income</u>	<u>Yield @ Cost</u>
Money Market Securities	\$119,126,290	\$119,502,308	\$ 376,018	\$ 8,591,126*	7.2%
U. S. Treasury & Federal Agencies	111,723,175	79,423,832	(32,299,343)	8,800,612	7.9
International Agencies	10,245,355	7,109,750	(3,136,605)	802,313	7.8
Canadian Bonds	62,545,516	43,947,451	(18,598,065)	6,000,345	9.6
<u>Corporate Bonds</u>					
Banking & Finance	\$122,274,337	\$ 94,149,575	\$(28,124,762)	\$11,260,376	9.2%
Industrials	175,046,614	129,009,268	(46,037,346)	15,908,296	9.1
Railroads	6,348,420	4,239,675	(2,108,745)	532,160	8.4
Railroad Equipment Trust Certificates	26,529,087	21,034,840	(5,494,247)	2,303,543	8.7
Public Utilities	157,765,276	95,516,042	(62,249,234)	9,566,373	6.1
Private Placements	65,514,639	54,122,383	(11,392,256)	5,273,606	8.1
Total Corporate Bonds	\$553,478,373	\$398,071,783	\$(155,406,590)	\$44,844,354	8.1%
<u>Convertible Bonds</u>	<u>\$ 9,778,247</u>	<u>\$ 8,233,750</u>	<u>\$(1,544,497)</u>	<u>\$ 565,390</u>	<u>5.8%</u>
TOTAL FIXED INCOME:	\$866,897,956	\$655,286,874	\$(210,609,082)	\$69,604,140	8.1%

* Average quarterly balance of money market securities during the fiscal year was \$79,732,750, yield based on average was 10.9%

DISTRIBUTION OF BONDS BY QUALITY RATING - FACE VALUE AS OF 6/30/81

<u>Sector</u>	<u>Moody's Rating</u>	<u>Par Amount</u>	<u>Percentage</u>
U. S. Government	Aaa	\$ 59,288,000	7.8%
International Agencies	Aaa	10,250,000	1.4
Corporate:	Aaa	174,215,000	22.8
	Aa	126,764,000	16.6
	A	172,638,000	22.6
	Baa	32,288,000	4.2
	Caa	2,760,000	0.1
Canadian Bonds	Aaa	31,850,000	4.2
	Aa	<u>27,405,000</u>	<u>3.6</u>
<u>Total Rated Bonds</u>		\$637,458,000	83.3%
<u>Non-rated by Moody's</u>			
Gov't Mortgage Backed		\$ 38,770,052	5.1%
Federal Agency		11,900,000	1.5
Corporate		<u>77,128,501</u>	<u>10.1</u>
<u>Total non-rated Bonds</u>		<u>\$127,798,553</u>	<u>16.7%</u>
<u>Grand Total:</u>		<u>\$765,256,553</u>	<u>100.0%</u>

ANALYSIS OF COMMON STOCK INDUSTRY DIVERSIFICATION AS OF 6/30/81

Rank	Descriptions	No. Of Companies	Cost Basis	% Of Total Cost Basis	Current Value	% of Total Current Value	Unrealized Gain/(Loss)	% Unrealized Gain/(Loss)	Current Yield
1	Pharmaceuticals	3	\$ 28,361,963	9.9%	\$ 36,412,500	11.3%	\$ 8,050,537	28.3%	2.62%
2	Homebuilding Supplies	3	23,887,140	8.4	35,525,000	11.0	11,637,860	48.7	3.09
3	Office Equipment	4	32,769,422	11.5	27,436,775	8.5	5,332,647-	16.4-	5.37
4	Miscellaneous Domestic Comm.	3	21,724,152	7.6	26,796,538	8.3	5,072,386	23.3	2.70
5	Oil - Domestic	3	24,217,384	8.5	25,956,250	8.1	1,738,866	7.1	4.28
6	Chemicals	2	16,901,479	5.9	20,264,425	6.3	3,362,946	19.8	4.97
7	Finance	2	18,903,749	6.6	19,450,000	6.0	546,251	2.8	4.60
8	Banking	2	17,323,600	6.1	18,737,500	5.8	1,413,900	8.1	5.91
9	Electronics	2	14,527,313	5.1	18,142,500	5.6	3,615,187	24.8	1.39
10	Food	1	10,022,774	3.5	13,518,750	4.2	3,495,976	34.9	4.11
11	Motion Pictures	1	9,398,612	3.3	12,675,000	3.9	3,276,388	34.8	1.57
12	Oil - International	1	7,874,987	2.7	9,000,000	2.8	1,125,113	14.2	6.66
13	Utilities Communications	1	7,181,872	2.5	8,443,800	2.6	1,261,928	17.5	9.60
14	Natural Gas Expl. & Dev.	1	7,868,313	2.7	8,362,500	2.6	494,187	6.2	2.15
15	Paper & Allied Products	1	7,918,000	2.7	8,050,000	2.5	132,000	1.6	5.71
16	Construction	1	10,668,600	3.7	7,750,000	2.4	2,918,600-	27.3-	3.54
17	Retailing	1	6,703,800	2.3	6,562,500	2.0	141,300-	2.1-	6.85
18	Pollution Control	1	5,103,274	1.8	6,321,000	1.9	1,217,725	23.8	1.14
19	Soaps & Detergents	1	6,768,875	2.3	5,812,500	1.8	956,375-	14.1-	7.22
20	Lumber & Plywood	1	5,608,729	1.9	5,344,498	1.6	264,231-	4.7-	4.34
	TOTAL:	35	\$283,833,934	100.0%	\$320,562,036	100.0%	\$36,728,102	12.9%	4.02%

IV RETIREMENT SERVICES AND ACCOUNTING DIVISION

The Retirement Services and Accounting Division is a broad-based division encompassing the major internal functions of the Retirement System. Several units comprise the Division:

- . Accounting Unit
- . Membership Services Unit
- . Benefits Calculation Unit
- . Processing Unit

The accounting Unit, in general, maintains member contribution accounts; records and classifies activities related to receipt of revenues; and accounts for payment of all benefits and administrative expenses. The unit is staffed by professional accountants and related accounting clerical personnel.

The Membership Services Unit performs a wide range of activities involving the maintenance and upkeep of active and retired members' accounts, records and related items, including microfilm services, mail, reproduction and supplies services.

The Benefits Calculation Unit, as its name implies, calculates and computes retirement and death benefits and cost of living benefit increases. Unit personnel, classified as Retirement Analysts, calculate benefits based on a variety of plans and formulas applicable to retiring members, i.e., Police, Fire and Miscellaneous, as well as death benefits payable to beneficiaries of deceased active and retired members.

The Processing Unit provides information to and processes all new incoming members and current members involved in personnel transactions such as promotions, transfers, terminations, etc. In addition, Unit per-



sonnel, Retirement Analysts, interview and counsel outgoing members who apply for either service or disability retirement, and beneficiaries of deceased active members.

The Retirement Services and Accounting Division, as an integral component of the total Retirement System structure, performs an invaluable service to the System in providing on-going statistical and financial data, the results of which are used to determine and formulate policies relative to actuarial determinations, employee-employer contributions, and the adequate funding of the Retirement System.

PLAN MEMBERSHIP

The Retirement System consists of six major plans covering Miscellaneous Employees and uniformed members of the Police and Fire Departments. Deputized personnel of the Sheriff's Department and some employees of the Port Commission are covered by the California State Public Employees Retirement System. Since 1972, most teachers in the Unified School District and Community College District are members of the State Teachers Retirement System.

Where reference is made to charter sections covering groups of employees, the following identifies such reference.

<u>CHARTER SECTION</u>	<u>GROUP</u>
8.509	Miscellaneous Employees On or After July 1, 1947
8.584	Miscellaneous Employees After November 1, 1976
8.559	Police On or After July 1, 1975
8.586	Police After November 1, 1976
8.585	Fire On or After July 1, 1975
8.588	Fire On or After November 1, 1976

OTHER CHARTER REFERENCES

MEMBERSHIP (6/30/81)

<u>BY CHARTER SECTION</u>	<u>NO. OF ACTIVE MEMBERS</u>
8.509	12,389
8.584	5,267
8.559	1,246
8.586	492
8.585	1,198
8.588	246
TOTAL	20,838

SOCIAL SECURITY

All Miscellaneous Employees are members of the Social Security System, except any member who, in 1960, did not elect social security coverage. Members covered under social security may elect to reduce their contributions to the Retirement System by an amount equal to the amount contributed to social security annually.

CITY AND COUNTY RATES OF CONTRIBUTIONS

FIVE YEAR COMPARISON

(Per Cent)

<u>FISCAL YEAR</u>	<u>MISCELLANEOUS</u>	<u>POLICE</u>	<u>FIRE</u>
	<u>8.509 - 8.584</u>	<u>8.559 - 8.586</u>	<u>8.585 - 8.588</u>
1976-77	18.47 14.30	73.90 54.45	67.09 48.64
1977-78	17.86 13.82	71.62 53.01	65.17 47.51
1978-79	20.05 14.70	86.65 54.64	89.75 49.19
1979-80	23.10 15.69	102.05 55.16	105.56 49.99
1980-81*	16.99	88.36	90.48

*Beginning July 1, 1980, rates of contribution established as "composite rates" for old and new retirement plans covering Miscellaneous, Police and Fire groups.

EMPLOYEE RATES OF CONTRIBUTION

(Per Cent)

<u>CHARTER SECTION</u>	<u>GROUP</u>	<u>RATE OF CONTRIBUTION</u>
8.509	Miscellaneous (Old)	Based on "Age at Entry" Range: 7.64% to 10.19%
8.584	Miscellaneous (New)	7.50%
8.559	Police (Old)	7.00
8.586	Police (New)	7.50
8.585	Fire (Old)	7.00
8.588	Fire (New)	7.50

NOTE: Rates of contribution for all Miscellaneous Employees and for Police and Fire under the "new" plans includes one-half percent for cost-of-living. Rates of contribution for Police and Fire under the "old" plans includes one percent for "fluctuating" retirement allowances.

CITY AND COUNTY CONTRIBUTIONS

Three Year Comparison

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
Miscellaneous	\$ 54,655,685	\$ 66,358,904	\$ 57,991,555
Fire	26,971,669	34,694,390	32,541,411
Police	27,230,202	34,531,231	36,395,106
TOTAL *	<u>108,857,556</u>	<u>135,584,525</u>	<u>126,928,072</u>

* Total includes current service and prior service benefits

EMPLOYEE CONTRIBUTIONS

Three Year Comparison

	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
Miscellaneous	\$ 15,995,423	\$ 18,035,293	\$ 21,470,742
Fire	1,889,328	2,269,579	2,548,162
Police	2,196,686	2,296,747	2,911,911
Additional	21,894	19,809	13,610
Redeposits	93,932	48,551	56,762
TOTAL	<u>21,097,263</u>	<u>22,659,979</u>	<u>27,001,187</u>

PROCESSING CENTER

The Retirement System's Processing Center is generally a bee-hive of activity throughout the year. All new employees who are eligible for membership in the Retirement System are processed through the Processing Center, as well as many current members who are involved in various personnel transactions such as promotions, transfers, re-assignments, etc.

In addition, the Processing Center interviews and counsels all potential retirees and processes all applications for retirement. Members who resign or who are terminated for any reason are also processed through the Center.

Finally, beneficiaries of deceased active and Retired Members are also interviewed, counselled and processed through the Processing Center.

Following is a three-year table of the number of persons processed by personnel of the Processing Center:

1978-79	3227
1979-80	2953
1980-81	3195

RETIREMENT STATISTICS -- FISCAL YEAR 1980-81

RETIREMENTS

	SERVICE	NON INDUSTRIAL DISABILITY	DISABILITY	TOTAL
Miscellaneous	393	88	0	481
Fire	33	0	16	49
Police	34	0	14	48
	<u>460</u>	<u>88</u>	<u>30</u>	<u>578</u>

CREDITED YEARS OF SERVICE PRIOR TO RETIREMENT

	SERVICE		DISABILITY		FIRE AND POLICE		SERVICE	DISABILITY
	Female		Male					
MISCELLANEOUS								
0- 5 Years	7	9	0	0	0-4 Years			
6-10	15	29	3	5	5-9			3
11-15	33	55	10	32	10-14			3
16-20	34	34	3	17	15-19			6
21-25	24	50	0	7	20-24			2
26-30	14	23	0	4	25-29		27	3
31-35	14	42	4	3	30-34		38	9
36-40	2	8	0	0	35-39		2	4
	<u>143</u>	<u>250</u>	<u>20</u>	<u>68</u>			<u>67</u>	<u>30</u>

AGES AT RETIREMENT

	SERVICE	DISABILITY	FIRE AND POLICE	SERVICE	DISABILITY
MISCELLANEOUS					
Under 55	24	64	Under 50	0	18
55-60	124	24	50-54	32	4
61-65	205	0	55-59	24	7
65 & Over	40	0	60-64	8	0
	<u>393</u>	<u>88</u>	65 & Over	<u>3</u>	<u>1</u>
				<u>67</u>	<u>30</u>

COMPARATIVE RETIREMENT STATISTICS - JUNE 30, 1977 - JUNE 30, 1981

<u>AVERAGE MONTHLY ALLOWANCES</u>		<u>DEATH</u>	<u>NUMBER OF RETIREMENTS</u>			<u>TOTAL</u>
<u>SERVICE</u>	<u>DISABILITY</u>		<u>YEAR</u>	<u>SERVICE</u>	<u>DISABILITY</u>	
JUNE 30, 1977			1977	608	207	815
Miscellaneous	468	- -	1978	531	175	706
Fire	1,024	1,008	1979	689	164	853
Police	1,026	1,011	1980	451	148	599
JUNE 30, 1978			1981	460	118	578
Miscellaneous	480	- -		2,739	812	3,551
Fire	1,064	1,120				
Police	1,017	1,015				
JUNE 30, 1979						
Miscellaneous	503	- -				
Fire	1,072	1,112				
Police	1,040	1,026				
JUNE 30, 1980						
Miscellaneous	477	- -				
Fire	1,190	1,098				
Police	1,150	1,105				
JUNE 30, 1981						
Miscellaneous	490	- -				
Fire	1,269	1,182				
Police	1,247	1,167				

NUMBER OF ALLOWANCES Retired Members and Survivors

MONTHLY RATE OF BENEFITS IN FORCE

	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>	<u>TOTAL</u>	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>	<u>TOTAL</u>
JUNE 30, 1977								
Miscellaneous	6,894	1,100		7,994	2,968,961	413,247		3,382,208
Fire	779	610	106	1,495	798,084	632,323	106,805	1,537,212
Police	737	651	127	1,515	756,441	597,719	128,385	1,482,545
	<u>8,410</u>	<u>2,361</u>	<u>233</u>	<u>11,004</u>	<u>4,523,486</u>	<u>1,643,289</u>	<u>235,192</u>	<u>6,401,967</u>
JUNE 30, 1978								
Miscellaneous	7,223	1,178		8,401	3,192,448	454,123		3,646,571
Fire	780	653	104	1,537	830,249	636,534	106,182	1,622,955
Police	730	728	128	1,586	742,167	676,807	128,972	1,548,945
	<u>8,733</u>	<u>2,559</u>	<u>232</u>	<u>11,524</u>	<u>4,764,864</u>	<u>1,817,464</u>	<u>236,154</u>	<u>6,818,482</u>
JUNE 30, 1979								
Miscellaneous	7,577	1,262		8,839	3,526,139	526,327		4,052,466
Fire	794	778	103	1,675	850,868	755,295	104,203	1,710,371
Police	754	687	120	1,561	783,903	726,692	123,094	1,633,689
	<u>9,125</u>	<u>2,727</u>	<u>223</u>	<u>12,075</u>	<u>5,160,910</u>	<u>2,008,314</u>	<u>227,302</u>	<u>7,396,526</u>
JUNE 30, 1980								
Miscellaneous	7,782	1,333		9,115	3,675,638	605,647		4,281,285
Fire	794	706	101	1,601	945,202	851,993	110,857	1,908,092
Police	771	803	116	1,690	826,727	829,111	128,197	1,844,035
	<u>9,347</u>	<u>2,842</u>	<u>217</u>	<u>12,406</u>	<u>\$ 5,507,567</u>	<u>2,286,751</u>	<u>239,054</u>	<u>8,033,372</u>
JUNE 30, 1981								
Miscellaneous	7,951	1,395	--	9,346	5,897,047	635,873	--	4,532,920
Fire	796	725	99	1,620	1,009,984	901,815	117,000	1,911,799
Police	794	809	112	1,715	990,248	884,232	130,726	2,005,206
	<u>9,541</u>	<u>2,929</u>	<u>211</u>	<u>12,681</u>	<u>5,897,279</u>	<u>2,421,920</u>	<u>247,726</u>	<u>8,449,925</u>

DEATH BENEFITS

Four Year Comparison

NUMBER OF DEATHS

	<u>1977-1978</u>	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>
Active Members	54	81	69	44
Retired Members	320	419	364	445
Continuants	81	121	110	124
	<u>455</u>	<u>621</u>	<u>543</u>	<u>613</u>

TYPE OF BENEFIT

	<u>NUMBER</u>	<u>NUMBER</u>	<u>NUMBER</u>	<u>NUMBER</u>
Continuations & Survivors				
Death Benefits	267	233	172	201
Death Claims	52	71	62	62
Death Benefits	328	437	377	372
Annuitants Payments				
(Option 1 Benefits)	44	80	84	62
Pro-Rata Retired Allowance	463	529	328	387
	<u>1154</u>	<u>1350</u>	<u>1023</u>	<u>1084</u>

INDUSTRIAL DEATH ALLOWANCES

Number of allowances paid to eligible dependents of Police Officers and Firefighters who died as a result of injury or illness incurred in the performance of duty during the past five years:

1976-1977	0
1977-1978	3
1978-1979	5
1979-1980	1
1980-1981	2

WITHDRAWAL OF CONTRIBUTIONS

Five Year Comparison

	<u>NUMBER OF WITHDRAWALS</u>	<u>AMOUNT OF WITHDRAWALS</u>
JUNE 30, 1977		
Miscellaneous	1,234	\$ 2,554,440
Fire	7	22,445
Police	37	245,754
Adjustments	282	117,677
	<hr/> 1,560	<hr/> \$ 2,940,316
JUNE 30, 1978		
Miscellaneous	1,007	\$ 2,443,881
Fire	6	41,316
Police	32	207,553
Adjustments	555	21,259
	<hr/> 1,600	<hr/> \$ 2,714,009
JUNE 30, 1979		
Miscellaneous	1,259	\$ 4,235,897
Fire	11	34,632
Police	52	217,506
Adjustments	278	62,581
	<hr/> 1,600	<hr/> \$ 4,550,616
JUNE 30, 1980		
Miscellaneous	1,166	\$ 4,235,454
Fire	28	113,388
Police	64	236,046
Adjustments	885	91,931
	<hr/> 2,143	<hr/> \$ 4,676,819
JUNE 30, 1981		
Miscellaneous	1,041	\$ 4,309,326
Fire	7	51,095
Police	47	206,359
Adjustments	561	237,567
	<hr/> 1,656	<hr/> \$ 4,804,347

INCOME

1980-81

City Contributions	\$ 126,928,072
Employee Contributions	27,001,187
Bond Interest	69,604,141
Dividends	13,793,311
Profit on Stocks	37,414,075
Profit on Bonds	32,356,783
Estimated Net Accumulations	386,540
Estimated Increase in Accrued	5,404,388
Interest Receivable	
 TOTAL	<hr/> 248,174,931

PAYMENTS

1980-81

Retirement Allowance Rolls	\$ 101,736,050
Withdrawal Rolls	4,688,606
Death Benefit Rolls	541,660
Death Claim Rolls	1,108,031
Retired Annuitant Rolls	664,159
 TOTAL	<hr/> 108,738,506

V WORKERS COMPENSATION DIVISION

The Workers Compensation Division, an integral part of the overall operation of the Retirement System, is located at the St. Francis Hospital in San Francisco. All employees of the City and County of San Francisco, including the San Francisco Unified School District, receive treatment at the Franciscan Treatment Room for job-incurred injuries or illnesses.

The Franciscan Treatment Room is staffed by Retirement System physicians on a daily basis, Monday through Friday. St Francis hospital staff provides treatment in the evenings and on weekends.

In addition to providing for the care and treatment of injured employees, the primary function of the Workers Compensation Division is to process all injury claims and to determine therefrom eligibility to receive workers compensation benefits and to disburse payments for medical and other expenses incurred as a result of injuries or illnesses.

The Workers Compensation Division also furnishes all medical case material for hearings conducted by Hearing Officers on Police - Fire applications for industrial disability retirement and applications for determination of job-incurred injuries, as well as all applications for ordinary disability retirement.

In addition, the Division provides medical case material to several Deputy City Attorneys who represent the Retirement System on appeals made to the State Compensation Appeals Board.

An additional important function of the Division is to initiate subrogation recoveries from third parties involved in injury cases involving City Employees.

Addendum

In 1980-81, the Workers Compensation Division experienced a reorganization and a consolidation of activities, due primarily to budget cuts and the implementation of administrative and personnel changes recommended by the Gates-McDonald Survey Report, which was commissioned by the Retirement Board early in the fiscal year.

Changes are continuing to be made and the overall results of said changes will be detailed in the Retirement System's annual report for fiscal year 1981-82.

FRANCISCAN TREATMENT ROOM PATIENT VISITS

Five Year Comparison

	<u>1976-77</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>
Day Visits	9,773	10,228	10,080	10,138	10,485
Night and Weekends	<u>1,619</u>	<u>1,567</u>	<u>1,826</u>	<u>2,226</u>	<u>1,892</u>
	11,392	11,795	11,906	12,364	12,377
First Visits	5,841	6,037	5,834	7,296	7,308
Follow-up	<u>5,551</u>	<u>5,758</u>	<u>6,172</u>	<u>5,068</u>	<u>5,069</u>
	11,392	11,795	11,906	12,364	12,377

RECAP - 1980-81

Total Claims Filed: 6,646

Total Visits to Franciscan Room: 12,377

Total Charges (General and Special Fund): \$9,474,582.10

EMPLOYEES' RETIREMENT SYSTEM
WORKERS COMPENSATION DIVISION

NUMBER OF DISABILITY AND NON DISABILITY CLAIMS BY DEPARTMENT JULY 1, 1980 - JUNE 30, 1981

<u>DEPARTMENT</u>	<u>DISABILITY</u>	<u>NON DISABILITY</u>	<u>TOTAL</u>
MAYOR	27	26	53
ASSESSOR	4	2	6
CITY ATTORNEY	6	1	7
DISTRICT ATTORNEY	11	10	21
TREASURER	1	3	4
SHERIFF	62	60	122
PURCHASING	35	28	63
POLICE	832	547	1379
FIRE	645	225	870
RECREATION AND PARKS	151	129	280
PUBLIC LIBRARY	10	15	25
WAR MEMORIAL	3	2	5
ART COMMISSION	3	6	9
FINE ARTS MUSEUM	1	0	1
CALIFORNIA ACADEMY OF SCIENCE	1	2	3
MUNICIPAL COURT	6	1	7
SUPERIOR COURT	1	1	2
LAW LIBRARY	0	0	0
YOUTH GUIDANCE	1	2	3
JUVENILE COURT	27	14	41
ADULT PROBATION	5	5	10
FINANCE AND RECORDS	1	2	3
TAX COLLECTOR	8	3	11
REGISTRAR OF VOTERS	1	2	3
RECORDER	0	0	0
COUNTY CLERK	4	1	5
REAL ESTATE	1	1	2
PUBLIC WORKS	180	192	372
ELECTRICITY	11	13	24
PUBLIC HEALTH	287	460	747
SOCIAL SERVICE	38	55	93
CORONER	0	1	1
CONTROLLER	8	8	16
CITY PLANNING	1	2	3
PUC/CENTRAL OFFICE	0	2	2
AIRPORT	67	86	153
MUNI	687	416	1103
WATER	53	84	137
PORT COMMISSION	21	42	63
HETCH HETCHY	10	27	37
S F SCHOOL DISTRICT	474	411	885
CIVIL SERVICE COMMISSION	4	3	7
COMMUNITY COLLEGE	<u>33</u>	<u>35</u>	<u>68</u>
	<u>3,721</u>	<u>2,925</u>	<u>6,646</u>

FISCAL YEAR 1980-81

<u>General Fund Depts.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
Board of Supervisors	106.42	0	286.00	392.42
Mayor	13,454.70	710.00	8,010.59	22,175.29
Assessor	9,649.15	0	4,331.61	13,980.76
City Attorney	1,292.07	0	386.22	1,678.29
District Attorney	1,406.34	3,526.15	925.84	5,858.33
Treasurer	1,213.77	0	0	1,213.77
Sheriff	116,311.39	31,595.28	87,082.27	234,988.94
Public Defender	(52.93)	1,390.00	1,407.00	2,744.07
Police	1,178,339.21	151,608.86	590,900.00	1,920,848.07
Fire	854,967.01	65,678.05	117,848.01	1,038,493.07
Permit Appeals	0	0	0	0
Art Commission	1,639.06	0	1,466.83	3,105.89
Calif. Acad. of Science	7,242.21	3,788.00	10,342.28	21,372.49
Municipal Court	11,252.15	4,018.00	2,562.13	17,832.28
Superior Court	4,188.56	0	207.20	4,395.76
Juvenile Court	20,151.63	13,114.00	40,260.58	73,526.21
Adult Probation	5,518.63	0	1,660.58	7,179.21
C.A.O.	0	0	210.00	210.00
Finance & Records	4,132.20	0	11.70	4,143.90
Tax Collector	1,439.41	0	6,429.73	7,869.14
Registrar of Voters	1,107.69	0	564.78	1,672.47
Recorder	247.00	0	0	247.00
County Clerk	2,066.67	0	1,398.16	3,464.83
Public Administrator	375.80	0	1,713.00	2,088.80
Purchasing	34,404.03	8,120.00	50,543.60	93,067.63
Real Estate	665.03	0	359.00	1,024.03
Civic Auditorium	152.50	0	0	152.50
DPW General Office	2,172.07	0	343.03	2,515.10
DPW Building Repair	46,432.88	3,815.00	43,050.15	93,298.03
DPW Building Inspection	21,441.70	1,090.00	26,999.23	49,530.93
DPW Building Engineering	(2,103.32)	3,640.00	4,699.50	6,236.18
DPW Central Permit	67.65	140.00	0	207.65
DPW Street Cleaners	51,975.89	15,816.11	70,491.79	138,283.79
DPW Sewer	42,310.95	11,991.00	37,339.22	91,641.17
DPW Traffic	1,541.06	1,960.00	3,810.03	7,311.09
DPW Electricity	5,896.27	9,950.50	27,548.62	43,395.39
DPH General	26,322.53	301.32	31,494.02	58,117.87
DPH L.H. Hospital	112,168.83	22,751.08	123,218.00	258,137.91
Mental Health - DPH	26,950.38	0	22,204.28	49,154.66
DPH General Hospital	213,670.18	45,276.74	249,054.20	508,001.12
DPH Emergency Hospital	22,540.39	12,716.52	29,689.22	64,946.13
Social Services	49,468.44	2,640.00	71,711.71	123,820.15
Coroner	142.10	0	0	142.10
Agriculture	669.14	0	300.00	969.14
Weights & Measures	134.65	0	0	134.65
Controller	1,848.67	0	2,541.29	4,389.96
City Planning	147.82	0	65.13	4,389.96
PUC General Office	1,212.18	0	448.00	1,660.18
Civil Service	832.72	0	143.14	975.86
Retirement	1,577.25	0	291.95	1,869.20
Human Rights	68.50	0	20.29	88.79
Totals	2,898,758.63	415,636.61	1,674,369.91	4,988,765.15

FISCAL YEAR 1980-81

<u>Special Fund Depts.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
Recreation & Park	141,907.52	49,348.84	226,625.57	417,881.93
Public Library	6,343.62	0	5,431.28	11,774.90
War Memorial	2,269.57	0	923.13	3,192.70
Fine Arts Museums	942.23	980.00	2,784.44	4,706.67
DPW	1,010.57	700.00	5,850.15	7,560.72
DPW	26,984.18	980.00	23,523.42	51,487.60
Airport	77,907.10	11,095.48	81,184.14	170,186.72
Muni	703,042.25	207,631.56	1,059,976.95	1,970,650.76
PUC Water	49,642.01	30,178.50	70,702.69	150,523.20
Port	21,758.73	14,678.00	23,871.00	60,307.73
Hetch Hetchy	11,717.25	11,164.00	89,766.46	112,647.71
SFUSD	541,117.49	72,432.64	443,665.23	1,057,215.36
Health Service System	1,044.86	0	2,226.08	3,270.94
SFUSD-Child Care	7,189.60	2,160.00	22,669.14	32,018.74
SF CCD	28,764.95	4,257.00	24,486.30	57,508.25
Totals	1,621,641.93	405,606.02	2,083,685.98	4,110,933.93

TOTAL CHARGES

GENERAL FUND

Direct Charges:	\$ 4,988,765.15
Overhead Charges:	<u>374,883.02</u>
Sub-Total	5,363,648.17

SPECIAL FUND

Direct Charges:	<u>\$ 4,110,933.93</u>
Grand Total:	\$ 9,474,582.10

SUBROGATION SETTLEMENTS
(Third Party Recoveries)

FIVE YEAR COMPARISON

1975-76	\$ 99,805.76
1976-77	126,225.67
1977-78	127,699.75
1978-79	94,824.27
1979-80	194,093.62
1980-81	215,766.98

CITY AND COUNTY OF SAN FRANCISCO

EMPLOYEES' RETIREMENT SYSTEM

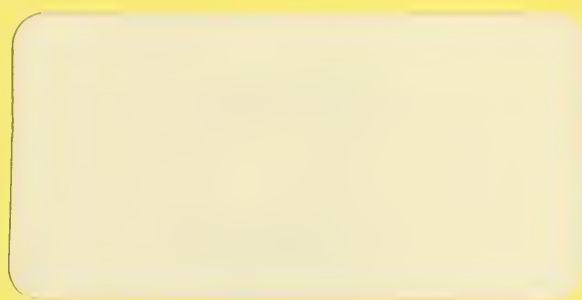
ANNUAL REPORT
SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
1981-1982

DOCUMENTS DEPT.

OCT 29 1982

SAN FRANCISCO
PUBLIC LIBRARY





A N N U A L R E P O R T
SAN FRANCISCO CITY AND COUNTY
EMPLOYEES' RETIREMENT SYSTEM
1981-1982

TABLE OF CONTENTS

	<u>Page</u>
HISTORY OF THE RETIREMENT SYSTEM	1-2
ORGANIZATION CHART - RETIREMENT SYSTEM	3
RETIREMENT SYSTEM BUDGET	4
Three Year Comparisons	4
Administrative Budget	4
Investments Division Budget	4
Combined Budget	4
I RETIREMENT BOARD	5-7
II ADMINISTRATIVE DIVISION	8-10
Narrative	8-9
Program Performance Assessment	10
III INVESTMENTS DIVISION	11-16
Narrative	11
Investment Portfolio-Statistical History	12
Table 1 - Portfolio Investments, 6/30/82	13
Table 2 - Bond Distribution by Rating	14
Table 3 - Analysis of Common Stock Diversification	15
Program Performance Assessment	16
IV RETIREMENT SERVICES AND ACCOUNTING DIVISION	17-34
Narrative	17-18
Membership	19-20
Social Security Coverage	20
City-County Contributions (Per Cent)	21
Employee Contributions (Per Cent)	21
City-County Contributions (Dollars)	22
Employee Contributions (Dollars)	22
Processing Center Activities	23
Service and Other Retirements, 1981/82	24
Years of Service at Retirement.	24
Age Distribution at Retirement.	24
Average Monthly Allowance in Force.	25
Retirement Allowances - 5 Year Comparison	26
Retirement Allowances - 5 Year Comparison (Dollars)	27
No. of Allowances in Force 1981/82 (by type).	28
Death Benefits - 4 Year Comparison.	29
Industrial Death Allowances	29
Withdrawal of Contributions - 5 Year Comparison.	30
Retirement System Income.	31
Retirement System Disbursements	31
Special Projects.	32-33
Program Performance Assessment.	34

TABLE OF CONTENTS

(continued)

	<u>Page</u>
V WORKERS' COMPENSATION DIVISION	35-42
Narrative	35-36
Franciscan Treatment Room Patient Visits, 1981/82.	37
Patient Visits - 5 Year Comparison	37
Number of Paid and Unpaid Disabilities	
By Department, 1981/82	38
Workers' Compensation Costs - By Department, 1981/82	39-41
Subrogation Settlements.	41
Program Performance Assessment	42

HISTORY OF THE RETIREMENT SYSTEM

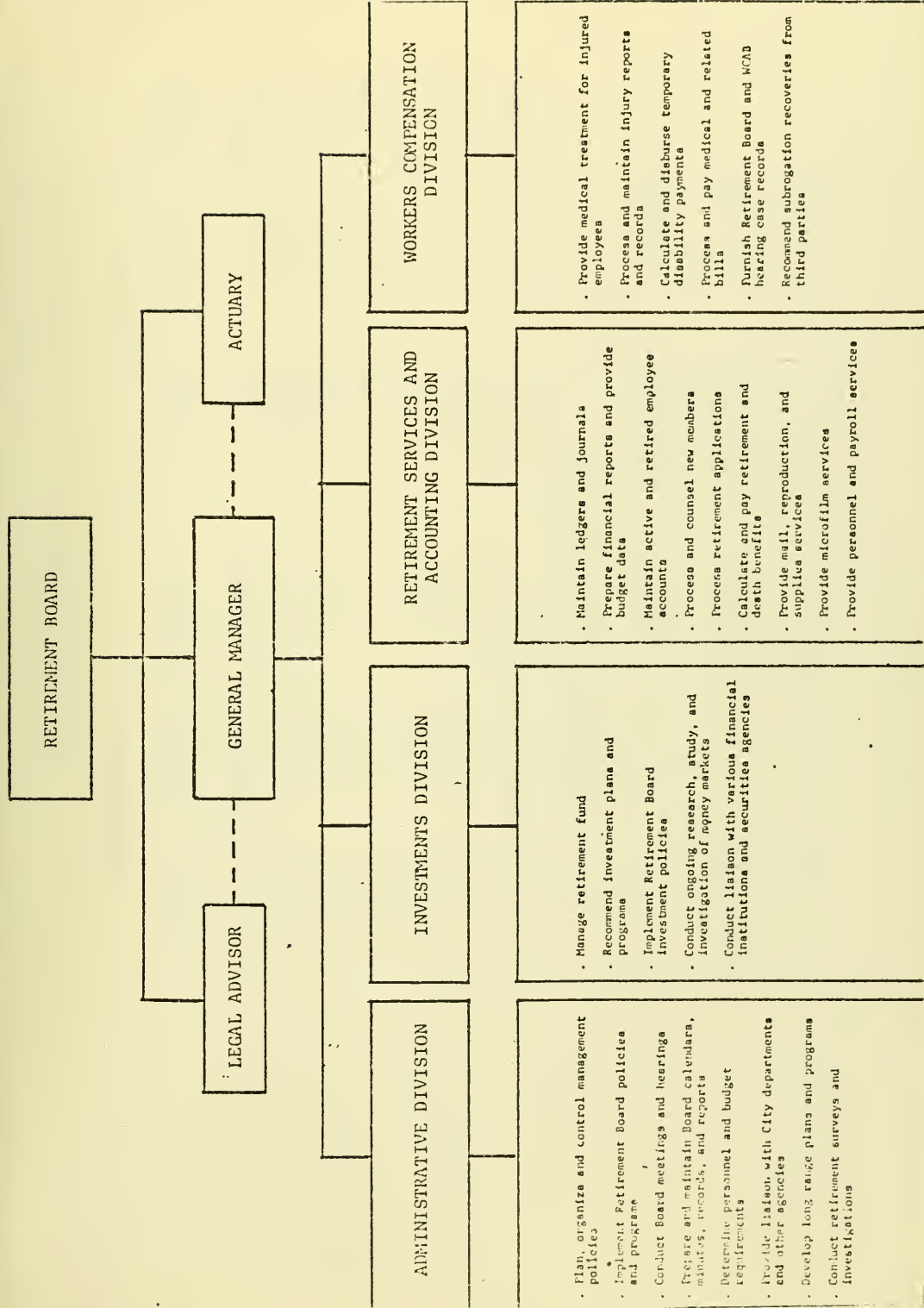
- A Brief Overview -

The San Francisco City Employees' Retirement System was officially established April 1, 1922. At that time, the membership was approximately 3700. In 1925, teachers from the school district were admitted as members. 1932 marked the year in which the Police Relief and Pension System (founded in 1878) and the Fire Pension System (founded in 1885) merged with the Retirement System to form the present system.

- Historical Changes to Retirement System -

- 1932 New Charter. No major benefit changes. Continuation of the "Matching Plan" formula, with 70 years as mandatory retirement age. Workers Compensation Division created, with the City becoming permissably uninsured.
- 1939 Hetch Hetchy employees admitted into System.
- 1947 1-2/3% formula at age 60 instituted. Mandatory retirement age changed to 65 years. Elected officials admitted into the Retirement System, exclusive of members of the Board of Supervisors.
- 1960 Social Security coverage for City employees authorized, except Police and Fire uniformed personnel; 50% retirement allowance offset provision established.
- 1968 Cost of living increases (up to 2% per year) authorized retired employees.
- 1968 50% retirement allowance offset plan under Social Security coverage discontinued.
- 1968 Deputized Sheriff personnel authorized to transfer to State Public Employees Retirement System (PERS) - (Actual transfer occurred in 1973).
- 1972 School teachers allowed to transfer to State Teachers Retirement System (STRS).

- 1973 Miscellaneous employees benefit formula changed from 1-2/3% to 2% at age 60; minimum retirement age reduced to age 50 and disability formula increased to 1.8% of average final compensation.
- Police & Fire Cost of Living increases authorized.
- 1974 Major changes to retirement and death benefits for Police-Fire members enacted, effective July 1, 1975.
- 1976 Electorate approved three new retirement plans (reduced benefits): Plans cover all Miscellaneous Employees, Police Officers and Firefighters hired after November 1, 1976.
- 1978 Mandatory retirement at age 65 abolished for all members of the System except Police - Fire.
- 1979 Retirement Fund established as a trust fund solely for benefit of active and retired members and their beneficiaries.
- 1979 Authorized pension funds and securities to be held by a recognized financial institution.
- 1980 Established hearing officer procedure for disability leaves, disability retirements and death benefits.
- 1980 Established 20 year period for amortization of retirement fund.
- 1980 Authorized Police - Fire buy-out plan and vesting rights.
- 1982 Gave Retirement Board exclusive authority to administer, receive, hold and disburse pension monies for the making of investments.



BUDGET

THREE YEAR COMPARISON

	<u>ADMINISTRATIVE</u>			<u>INVESTMENTS</u>		
	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
PERSONNEL SERVICES	\$1,560,165	\$1,744,069	\$1,813,838	\$ 194,225	\$ 232,875	\$ 285,452
MATERIALS AND SUPPLIES	14,500	16,100	17,600	4,000	1,000	2,000
SERVICE CHARGES	480,550	514,802	1,049,161	113,400	157,340	226,333
COMMUNICATIONS	42,768	43,898	50,898	9,000	9,500	20,163
TRAVEL EXPENSE	-	-	-	7,669	8,000	8,000
RENTALS	89,053	93,404	101,720	50,459	47,980	60,152
REPAIRS & MAINTENANCE	4,000	1,500	3,000	-	-	-
MISCELLANEOUS	54,771	46,295	7,425	66,081	75,150	10,900
TOTAL	<u>\$2,245,807</u>	<u>\$2,460,068</u>	<u>\$3,043,642</u>	<u>\$ 444,834</u>	<u>\$ 532,845</u>	<u>\$ 613,000</u>

COMBINED THREE YEAR COMPARISON

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
ADMINISTRATIVE	\$2,245,807	\$2,460,068	\$3,043,642
INVESTMENTS	444,834	532,845	613,000
TOTAL	<u>\$2,690,641</u>	<u>\$2,992,713</u>	<u>\$3,656,642</u>

I RETIREMENT BOARD

Charter Section 3.670 provides for the establishment of a Retirement Board and sets forth the method for election and/or appointment thereto.

MEMBERS OF THE BOARD (1981-82)

ELECTED BY MEMBERS

Peter D. Ashe (President)
Leon Bruschera
Warren J. DeMerritt

Recreation and Park
Fire Department
Municipal Railway

APPOINTED BY MAYOR

Paul Denning (Vice President)
Meta K. Stanley
Raymond L. Weisberg, M.D.

Investment Executive
Attorney
Internal Medicine

EX OFFICIO

John L. Molinari

President, Board of
Supervisors

The Board's major functions and responsibilities consist of several broad but comprehensive activities:

1. Determination of policies with respect to the management and administration of the Retirement System.
2. Determination and approval of a diversified investment program.
3. Determination and approval of a tentative budget for administration of Retirement System and sole authority for determination and approval of Investment Division budget.
4. Fixing rates of contribution and interest earnings for members and City and County, and approval of cost-of-living increases for retired members.
5. Selection and appointment of a consulting actuary, hearing officers for disability retirements and death benefits, and equity investment managers.
6. Approval of all contractual obligations, the transfer and appropriation of funds, subrogation settlements, and W.C.A.B. ratings.

During 1981-82, the Retirement Board took action on a number of significant items and issues, of which the following are illustrative:

- Contracted with three equity investment management firms to manage the Retirement System's equity investment portfolio (approximately \$330 million.) Firms selected were: Crocker Investment Management Group; Eaton & Howard, Vance Sanders, Inc.; and Loomis, Sayles & Company.
- Authorized a relocation of medical services at St. Francis Hospital.
- Authorized the conduct of a comprehensive review and analysis of the claims processing procedure for worker compensation benefits.
- Approved, on recommendation of the consulting actuary, new rates of contribution for members of the System and the City and County, effective July 1, 1982.
- Authorized a two percent (2%) cost-of-living increase in retirement allowance of retired members.

In addition to carrying-out its functions and duties prescribed by the Charter, the Board authorized or endorsed submission to the voters of San Francisco several important amendments to the Charter of the City and County of San Francisco, all of which were approved by the electorate:

- A Charter amendment to provide that the San Francisco Unified School District and the Community College District shall pay a pro-rata share of the costs of administering worker compensation benefits. (November 1981 election.)
- A Charter amendment authorizing a one-time only increase in retirement allowance of retired Miscellaneous Employees. (November 1981 election.)
- A Charter amendment authorizing the Board to determine the making of an actuarial valuation of the System and on investigating into the experience of the plans, the expenses thereof to be paid from the accumulated contributions of the City and County. (June 1982 election.)
- A Charter amendment giving the Board exclusive authority to administer, receive, hold and disburse pension monies for the making of legal investments. (June 1982 election.)

Two additional charter amendments placed on the June 1982 ballot failed to pass: a charter amendment revising the composition of the Retirement Board; and a charter amendment authorizing the

Secretary-General Manager of the Retirement System to be exempt from Civil Service.

The primary thrust of the Retirement Board during 1981-82 was in the investment arena, generated by several important and serious conditions and events. The Board switched from an in-house equity investment management process to a process administered by several outside investment management firms. At the same time, the Board adopted the Investments Division budget authorizing the establishment of a new position tentatively classified as Portfolio Manager.

During 1981-82, the Board also agreed to endorse a study of the investment process through the auspices of the Public Pension Investment Project. The results of that study and recommendations emanating therefrom are, as of this date, inconclusive.

The Board's investment decisions during the fiscal year were tempered, if not restrained, by the somewhat bleak economic conditions permeating the entire financial community, the real estate field, and other related business and financial enterprises.

II ADMINISTRATIVE DIVISION

The Administrative Division, in general, is responsible for the supervision and direction of the various plans and programs carried out by the Retirement System. In addition, the Administrative Division executes and implements Retirement Board policies and directives, and acts as the chief liaison office in interaction with other city and county policy-making bodies such as the Mayor's Office, Board of Supervisors, Civil Service Commission and Controller's Office.

To carry-out and direct the administration of the Retirement System, the Retirement Board appoints a Secretary-General Manager, who acts in the capacity of Appointing Officer, i.e., appointment and removal of all personnel, determinations of staffing needs, budgeting control, implementation of plans and programs, etc.

The Board also appoints an Actuary and a Consulting Actuary, both of whom provide actuarial expertise to the Administrative Division in the development and implementation of plans, programs and reports governing the benefit structure of the Retirement System.

The Administrative Division performs a wide range of services on behalf of the Retirement Board: Preparation and distribution of calendars and minutes of all Board meetings; assisting the Board in the conduct of its meetings; preparing a variety of reports and correspondence relative to Board activities; and making recommendations and proposals to the Board on matters affecting the administration and management of the Retirement System.

The Administrative Division is also responsible for implementing and administering the Hearing Officer process. Hearing Officers, under contract to the Retirement Board, hear and determine all applications for disability retirement, disability leave and death benefits. Two agencies, the California State Office of Administrative Hearings and the American Arbitration Association, furnish hearing officers to conduct the various hearings. In all cases, decisions of the hearing officers are final.

The Administrative Division, in conjunction with the Worker Compensation Division and the Retirement System's Legal Office, prepares and distributes Hearing Officer case agendas, assembles all case materials, assists hearing officers in the conduct of the hearings, and prepares a variety of correspondence and reports involving decisions and actions of the hearing officers.

The following is a tabulation of the number and type of hearings conducted in 1981-82, and the results of the hearings:

<u>CASES</u>	<u>NO. OF HEARINGS</u>	<u>NO. GRANTED</u>	<u>NO. DENIED</u>
INDUSTRIAL DISABILITY DETER.	15	7	8
INDUSTRIAL DISABILITY RETIREMENTS	43	24	19
ORDINARY DISABILITY RETIREMENTS	61	50	11
DEATH BENEFITS	5	4	1
	---	---	---
TOTALS	124	85	39

Cost of Hearing Officer Process: \$42,879.00

Average Cost per case: \$345.00

The Administrative Division is also responsible for monitoring the Retirement System's Deferred Compensation Plan. The plan, inaugurated in 1979, has attracted a sizeable number of plan participants. As of June 30, 1982 there were 2,040 active participants in the plan and the total accumulated values of the account is as follows:

Fixed Interest Account	\$9,347,549.13
Stock Account	\$3,375,802.31
Bond Account	\$1,706,124.60

	\$14,429,476.04

The Administrative Division plays a significant role in the attainment of Retirement System goals and objectives while, simultaneously, assisting the Retirement Board in the fulfillment of a variety of charter-mandated functions and responsibilities. As an agency of the City and County of San Francisco, the Retirement System is an integral force in the overall determination of the fiscal policies of the City and County. The Administrative Division, through its direct relationship with the Retirement Board, ensures the continuation of a sound, responsible fiscal policy for the benefit of the members of the System and the taxpayers of San Francisco.

CITY AND COUNTY OF SAN FRANCISCO
MANAGEMENT BY OBJECTIVES

(2.1.1)

DEPARTMENT: Retirement

PROGRAM: 12. Administration

PROGRAM PERFORMANCE ASSESSMENT

2. REPORTING PERIOD: 01-02 Annual Review

5 OBJECTIVES	6 PERFORMANCE ASSESSMENT	7 EXPLANATION	8 CORRECTIVE ACTION PLAN
NVA To maintain the city's self-insured status to Workers' Compensation.	Met	Increased management review and support.	Consultant hired to provide additional support.
NVB To reduce compensation costs to the City through more effective administration of the program.	Objective met, cost lower than budgeted amount.	Increased management support. Improved procedures and control of program.	Continue to provide support with emphasis on procedures, audit and accountability.
NVC To complete a study of the feasibility of the retirement system purchasing property and constructing an office building for use by the city.	Under review.	Some property reviewed; one property still under investigation and consideration.	Under review.

D

E

F BUDGET AND EXPENDITURES

G REVENUE FORECAST COLLECTIONS

III INVESTMENTS DIVISION

The dividend and interest income for the fiscal year July 1, 1981, to June 30, 1982, increased \$22,754,854 or 27.6% while income on equity real estate went from \$3,986,790 to \$6,344,607. Total income rose from \$86,285,210 to \$111,397,881.

The yield on the year end portfolio at cost rose 124 basis points (1.24%) from 7.12% to 8.36% and the mean book yield also increased a corresponding 124 basis points to 8.75%.

The pilot program of writing covered call options, begun in April, 1981, was discontinued in March of 1982. During this time a net profit of \$334,000 was realized. The Retirement Board decided to suspend the program due to staff changes.

Also because of staff resignations the Board chose to select outside professional management for the common stock portion of the portfolio. The Retirement Board and remaining staff developed the criteria and a questionnaire which was sent to 15 prospective management firms. The Board interviewed seven firms and engaged three: Crocker Investment Management Corp., Eaton & Howard Vance Sanders and Loomis Sayles. Each of these organizations received 1/3 of the common stock and cash allocated to stocks at the close of business on June 30, 1982.

The fixed income section of the portfolio, which includes money market instruments, convertible bonds and all other bonds, continues to be internally managed by the Retirement Board's investment staff.

The Retirement Board, the staff and equity managers will continue to strive for improved investment results through active management of the portfolio.

A STATISTICAL HISTORY OF THE INVESTMENT PORTFOLIO

(Accrual Basis)

Fiscal Year Ended 6/30	Book Value Of Portfolio (1)	Real Estate Income	Dividend And Interest Income	Total Income From Portfolio	Mean Book Yield On Portfolio	Year End Book Yield On Portfolio	Adjusted Year End Yield On Portfolio(3)	Realized Gains/(Loss) On Equity	Realized Gains/(Loss) On Bonds
1971	\$ 510,132,637	\$	\$ 23,025,297	\$	4.78%	4.51%	4.39%	\$ 590,267	\$ (1,233,161)
1972	571,196,850		24,936,411		4.65	4.44	4.57	4,965,220	(4,243,596)
1973	604,049,911		28,125,428		4.83	4.66	4.61	595,554	(866,095)
1974	593,578,969(4)		28,336,405		4.89	4.90	3.93	(5,576,667)	(194,490)
1975	645,195,853		33,174,595		5.33	5.14	4.77	(1,620,198)	(742,012)
1976	696,481,480		34,264,156		5.11	4.92	4.94	(35,226)	(484,351)
1977	762,831,987		39,974,495		5.48	5.24	4.79	168,590	(3,590,647)
1978	851,865,422		48,370,166		5.99	5.68	4.93	(2,297,395)	(5,075,532)
1979	942,279,586		55,785,991	58,393,991	6.51	6.20	5.33	(3,777,931)	(4,404,506)
1980	1,085,595,341		68,152,192	71,498,193	7.05	6.59	7.61	15,415,271	(4,333,707)
1981	1,211,764,605		82,298,420	86,285,210	7.51	7.12	7.40	37,199,021	(33,807,767)
1982	1,333,059,602		105,053,274	111,397,881	8.75	8.36	6.56	(5,031,809)	(18,962,215)
Fiscal Year Ended 6/30	Total Realized Gains/(Losses) On Portfolio	Amortized Bond Value At Year End(2)	Book Equity Value At Year End	Bond Interest For Year	Equity Dividend For Year	Book Yield On Bonds (Mean Value)	Book Yield On Equities (Mean Value)	Real Estate	
1971	\$ (642,894)	\$ 459,385,382	\$ 50,747,255	\$ 21,858,379	\$ 1,166,918	4.94%	2.96%		
1972	(721,624)	452,177,329	109,019,521	22,835,296	2,101,115	5.01	2.63		
1973	(270,541)	475,220,237	128,829,624	24,244,488	3,880,940	5.23	3.26		
1974	(5,771,157)	475,055,118	123,533,851	24,433,431	3,832,974	5.36	3.05		
1975	(2,342,210)	500,566,998	144,620,855	29,459,016	4,115,579	5.96	3.07		
1976	(519,577)	527,462,626	169,010,854	39,327,488	4,936,668	5.71	3.15		
1977	(3,422,057)	590,300,163	172,531,825	33,791,740	6,182,755	6.05	3.48		
1978	(6,372,927)	678,800,178	152,065,244	42,092,272	6,277,894	6.63	3.85		
1979	(8,182,237)	706,878,531	195,401,055	48,241,449	7,544,542	6.96	4.34	\$ 20,000,000(5)	
1980	11,081,564	781,764,700	252,866,641	57,121,215	11,030,978	7.67	4.92	40,000,000	
1981	3,391,254	867,930,671	283,833,934	69,604,140	12,694,280	8.44	4.75	45,000,000	
1982	(23,994,024)	986,111,788	276,947,814	89,428,451	15,624,823**	9.65	5.57	60,000,000	

(1) Includes only assets under investment management - excludes receivables and cash in Treasury

(2) Includes short term (money market) securities

(3) Income includes gains and losses

(4) Reduction due to School Teacher Transfer to SIRS

(5) Initial investment in Real Estate

* Distributed equity real estate income for fiscal year.

** Includes option income earned under the pilot option program.

PORTFOLIO INVESTMENTS AS OF 6/30/82

Group	Cost	% of Total	Market Value	% of Total	Unrealized Gain/(Loss)	Income	Yield @ Cost
Money Market Securities	\$ 107,925,469	8.1%	\$ 107,925,469	10.0%	\$ 0	\$ 14,743,000	13.7%***
<u>Bonds</u>							
U.S. Treasury & Federal Agencies	\$ 97,571,471	7.3%	\$ 67,661,896	6.2%	\$(29,909,575)	\$ 7,999,333	8.2%
International Agencies	9,248,424	0.7	5,982,688	0.6	(3,265,736)	759,313	8.2
Canadian Bonds	66,017,274	5.0	54,156,656	5.0	(11,860,618)	6,658,388	10.1
<u>Corporate Bonds</u>							
Banking & Finance	\$ 155,529,269	11.7%	\$ 122,326,852	11.3%	\$(33,202,417)	\$ 13,734,230	8.8%
Industrials	283,728,167	21.2	228,161,737	21.0	(55,566,430)	26,934,450	9.4
Railroads	6,228,420	0.5	3,807,875	0.4	(2,420,545)	522,100	8.4
Railroad Equip. Trust Certificates	29,120,525	2.2	22,887,325	2.1	(6,233,200)	2,595,043	8.9
Public Utilities	152,467,234	11.4	94,832,114	8.7	(57,635,120)	8,838,866	5.8
Private Placements	68,516,668	5.1	51,098,468	4.7	(17,418,200)	5,861,378	8.6
<u>Total Corporate Bonds</u>	\$ 695,590,283	52.1%	\$ 523,114,371	48.2%	\$(172,475,912)	\$ 58,486,067	8.6%
<u>Convertible Bonds</u>	9,758,867	0.7	6,687,550	0.6	(3,071,317)	782,350	8.0
<u>TOTAL FIXED INCOME:</u>	\$ 986,111,788	73.9%	\$ 765,528,630	70.6%	\$(220,583,158)	\$ 89,428,451	9.1%
<u>Equity</u>							
Equity Real Estate	\$ 70,000,000	5.3%	\$ 81,412,000	7.5%	\$ 11,412,000	\$ 6,344,607*	9.1%
Common Stocks	276,947,814	20.8	237,499,430	21.9	(39,448,384)	15,624,823**	5.6
<u>Total Portfolio:</u>	\$ 1,333,059,602	100.0%	\$ 1,084,440,060	100.0%	\$(248,619,542)	\$ 111,397,881	8.4%

* Distributed equity real estate income for fiscal year.

** Includes option income earned under option pilot plan.

*** Average approximate balance of money market funds during the fiscal year was \$100,686,000; yield based on average was 14.6%.

DISTRIBUTION OF BONDS BY QUALITY RATING - FACE VALUE AS OF 6/30/82

<u>Sector</u>	<u>Moody's Rating</u>	<u>Par Amount</u>	<u>Percentage</u>
U.S. Government	Aaa	\$ 57,084,000	5.8%
International Agencies	Aaa	9,250,000	.9
Corporate:	Aaa	181,156,000	18.4
	Aa	199,673,312	20.3
	A	213,931,000	22.1
	Baa	67,063,000	6.8
	Ba	4,500,000	0.5
	B	15,823,651	1.6
Canadian Bonds	Aaa	47,950,000	4.5
	Aa	23,720,000	2.4
	A	<u>869,000</u>	<u>0.1</u>
<u>Total Rated Bonds</u>		\$ 821,019,963	83.4%
<u>Non-rated by Moody's</u>			
Gov't Mortgage Backed		\$ 28,060,000	2.9%
Federal Agency		10,400,000	1.1
Corporate		<u>124,815,191</u>	<u>12.6</u>
<u>Total non-rated Bonds</u>		\$ <u>163,275,191</u>	<u>16.6</u>
<u>Grand Total:</u>		\$ <u>984,295,154</u>	<u>100.0%</u>

ANALYSIS OF COMMON STOCK DIVERSIFICATION AS OF 6/30/82

Rank	Descriptions	No. of Companies	Cost Basis	% of Total Cost Basis	Current Value	% of Total Current Value	Unrealized Gain/(Loss)	% Unrealized Gain/(Loss)	Current Yield
1	Pharmaceuticals	3	\$ 29,631,525	10.6%	\$ 32,425,000	13.8%	\$ 2,793,475	9.4%	4.76%
2	Electronics	3	28,085,000	10.1	28,135,625	11.9	50,625	.1	2.57
3	Office Equipment	3	27,943,456	10.0	20,400,000	8.6	7,543,456-	26.9-	6.63
4	Motion Pictures	1	11,980,363	4.3	14,687,500	6.2	2,707,137	22.5	2.04
5	Retailing	2	16,778,988	6.1	13,937,500	5.9	2,841,488-	16.9-	6.81
6	Oil - Domestic	3	17,037,720	6.2	13,862,512	5.8	3,175,208-	18.6-	6.54
7	Banking	2	17,323,600	6.3	12,212,500	5.1	5,111,100-	29.5-	9.07
8	Aerospace	1	11,157,750	4.0	11,362,500	4.8	204,750	1.8	5.14
9	Chemicals	2	14,020,953	5.1	10,995,854	4.6	3,025,099-	21.5-	8.00
10	Hotels	1	11,218,512	4.1	9,787,500	4.1	1,431,012-	12.7-	5.51
11	Utilities Communications	1	8,023,068	2.9	8,443,815	3.6	420,747	5.2	10.58
12	Pollution Control	1	9,165,670	3.3	8,400,000	3.5	765,670-	8.3-	1.85
13	Homebuilding Supplies	1	9,364,750	3.4	8,156,250	3.4	1,208,500-	12.9-	2.32
14	Oil - International	1	9,143,475	3.3	7,831,250	3.3	1,312,225-	14.3-	8.93
15	Finance	1	11,351,200	4.1	7,800,000	3.3	3,551,200-	31.2-	1.64
16	Printing & Publishing	1	6,884,000	2.5	5,875,000	2.5	1,009,000-	14.6-	3.40
17	Food	1	4,916,941	1.8	5,815,600	2.4	898,659	18.2	3.46
18	Paper & Allied Products	1	10,501,650	3.8	5,812,500	2.4	4,689,150-	44.6-	11.87
19	Construction	1	10,668,600	3.9	4,500,000	1.9	6,168,600-	57.8-	7.33
20	Lumber & Plywood	1	5,608,729	2.0	2,708,524	1.1	2,900,205-	51.7-	8.57
21	Misc. Domestic Comm.	1	3,317,680	1.2	2,462,500	1.0	855,180-	25.7-	3.89
22	Oil Service	1	2,824,184	1.0	1,887,500	.8	936,684-	33.1-	4.45
TOTAL :		33	\$276,947,814	100.0%	\$237,499,430	100.0%	\$39,448,384	14.2-%	5.39%



MANAGEMENT BY OBJECTIVES

DEPARTMENT: Retirement

1 PROGRAM 72 Investments

PROGRAM PERFORMANCE ASSESSMENT

2. REPORTING PERIOD 01-02 Annual Review

5 OBJECTIVES

NU A To achieve an 8 1/2% rate of return predicated on ordinary income; i.e., dividends, interest and realized gains and losses.

NU B To achieve a rate of return on investments such that the city investment performance is rated in the highest quartile of all pension funds, public and private, as rated by Collin Associates.

C

D

E

F BUDGET PLANNING/STUDIES

G PER VALUE FORECAST COLLECTIONS

6 PERFORMANCE ASSESSMENT

8.02% *

80%
Goal achieved

* Based on book value.

7 EXPLANATION

Result of effective investment strategy and the economy.

Major realignment of portfolio

8 CORRECTIVE ACTION
PLAN

Emphasis still on long term profitability.

Stock investment to be managed by investment counselors

IV RETIREMENT SERVICES AND ACCOUNTING DIVISION

The Retirement Services and Accounting Division is a broad-based division encompassing the major internal functions of the Retirement System. Several units comprise the Division:

- Accounting Unit
- Membership Services Unit
- Benefits Calculation Unit
- Processing Unit

The Accounting Unit, maintains member contribution accounts; records and classifies activities related to receipt of revenues; and accounts for payment of all benefits and administrative expenses. The unit is staffed by professional accountants and related accounting clerical personnel.

The Membership Services Unit performs a wide range of activities involving the maintenance and upkeep of active and retired members' accounts, records and related items, including microfilm services, mail, reproduction and supplies services.

The Benefits Calculation Unit, calculates and computes retirement and death benefits and cost of living benefit increases. Unit personnel, classified as Retirement Analysts, calculate benefits based on a variety of plans and formulas applicable to retiring members, i.e., Police, Fire and Miscellaneous, as well as death benefits payable to beneficiaries of deceased active and retired members.

The Processing Unit provides information to and processes all new incoming members and current members involved in personnel transactions such as promotions, transfers, terminations, etc. In addition, Unit personnel, interview and counsel outgoing members who apply for either service or disability retirement, and beneficiaries of deceased active members.

The Retirement Services and Accounting Division, as an integral component of the total Retirement System structure, per-

forms an invaluable service to the System in providing on-going statistical and financial data, the results of which are used to determine and formulate policies relative to actuarial determinations, employee-employer contributions, and the adequate funding of the Retirement System.

PLAN MEMBERSHIP

The Retirement System consists of six major plans covering Miscellaneous Employees and uniformed members of the Police and Fire Departments. Deputized personnel of the Sheriff's Department and some employees of the Port Commission are covered by the California State Public Employees Retirement System. Since 1972, most teachers in the Unified School District and Community College District have become members of the State Teachers Retirement System.

Where reference is made to charter sections covering groups of employees, the following identifies such reference.

<u>CHARTER</u> <u>SECTION</u>	<u>GROUP</u>
8.509	Miscellaneous Employees On or After July 1, 1947
8.584	Miscellaneous Employees After November 1, 1976
8.559	Police On or After July 1, 1975
8.586	Police After November 1, 1976
8.585	Fire On or After July 1, 1975
8.588	Fire On or After November 1, 1976

OTHER CHARTER REFERENCES

8.514	Social Security Coverage for Miscellaneous Employees
8.508.1	Teachers in STRS
8.505	Port Employees - PERS
8.506	Sheriff's Employees - PERS

MEMBERSHIP (6/30/82)

<u>BY CHARTER SECTION</u>	<u>NO. OF ACTIVE MEMBERS</u>
8.509	11,346
8.584	6,201
8.559	1,031
8.586	823
8.585	1,060
8.588	443
TOTAL	20,904

SOCIAL SECURITY

All Miscellaneous Employees are members of the Social Security System, except any members who, in 1960, did not elect social security coverage. Members covered under social security may elect to reduce their contributions to the Retirement System by an amount equal to the amount contributed to social security annually.

CITY AND COUNTY RATES OF CONTRIBUTIONS

AS PERCENTAGE OF PAYROLL

FIVE YEAR COMPARISON

<u>FISCAL YEAR</u>	<u>MISCELLANEOUS</u>		<u>POLICE</u>		<u>FIRE</u>	
	<u>8.509</u>	<u>- 8.584</u>	<u>8.559</u>	<u>- 8.586</u>	<u>8.585</u>	<u>- 8.588</u>
1977-78	17.86	13.82	71.62	53.01	65.17	47.51
1978-79	20.05	14.70	86.65	54.64	89.75	49.19
1979-80	23.10	15.69	102.05	55.16	105.56	49.99
1980-82*	16.99		88.36		90.48	

Beginning July 1, 1980, rates of contribution established as "composite rates" for old and new retirement plans covering Miscellaneous, Police and Fire groups.

EMPLOYEE RATES OF CONTRIBUTION

AS A PER CENT OF BASE WAGE *

<u>CHARTER SECTION</u>	<u>GROUP</u>	<u>RATE OF CONTRIBUTION</u>
8.509	Miscellaneous (Old)	Based on "Age at Entry" Range: 7.64% to 10.19%
8.584	Miscellaneous (New)	7.50%
8.559	Police (Old)	7.00
8.586	Police (New)	7.50
8.585	Fire (Old)	7.00
8.588	Fire (New)	7.50

NOTE: Rates of contribution for all Miscellaneous Employees and for Police and Fire under the "new" plans include one-half percent for cost-of-living. Rates of contribution for Police and Fire under the "old" plans includes one percent for "fluctuating" retirement allowances.

* Except for miscellaneous employees under Charter Section 8.509 whose contributions are based on gross income.

CITY AND COUNTY CONTRIBUTIONS

Three Year Comparison

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Miscellaneous	\$ 66,358,904	\$ 57,991,555	\$ 61,457,644
Fire	34,694,390	32,541,411	37,384,389
Police	34,531,231	36,395,106	41,475,919
	<hr/>	<hr/>	<hr/>
TOTAL *	<u>135,584,525</u>	<u>126,928,072</u>	<u>140,317,952</u>

* Total includes current service and prior service benefits

EMPLOYEE CONTRIBUTIONS

Three Year Comparison

	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
Miscellaneous	\$18,035,293	\$ 21,470,742	\$ 22,344,446
Fire	2,269,579	2,548,162	2,939,747
Police	2,296,747	2,911,911	3,472,275
Additional	19,809	13,610	10,049
Redeposits	48,551	56,762	21,447
	<hr/>	<hr/>	<hr/>
TOTAL	<u>\$ 22,659,979</u>	<u>\$ 27,001,187</u>	<u>\$ 28,787,964</u>

PROCESSING CENTER

The Retirement System's Processing Center is generally quite active throughout the year. All new employees who are eligible for membership in the Retirement System are processed through the Processing Center, as well as many current members who are involved in various personnel transactions such as promotions, transfers, reassignments, etc.

In addition, the processing center interviews and counsels all potential retirees and processes all applications for retirement. Members who resign or who are terminated for any reason are also processed through the Center.

Finally, beneficiaries of deceased active and Retired Members are also interviewed, counselled and processed through the Processing Center.

Following is a four year table of the number of persons processed through the Center:

1978-79	3227
1979-80	2953
1980-81	3195
1981-82	<u>3368</u>

12743

4 year average:	3186
-----------------	------

RETIREMENT STATISTICS -- FISCAL YEAR 1981-82

RETIREMENTS

	<u>SERVICE</u>	<u>NON INDUSTRIAL DISABILITY</u>	<u>DISABILITY</u>	<u>TOTAL</u>
Miscellaneous	400	53	0	453
Fire	38	0	10	48
Police	33	0	10	43
	<u>471</u>	<u>53</u>	<u>20</u>	<u>544</u>

CREDITED YEARS OF SERVICE PRIOR TO RETIREMENT

MISCELLANEOUS		SERVICE		DISABILITY		FIRE AND POLICE	SERVICE	DISABILITY
		Female		Male				
		Female	Male	Female	Male			
0-5 Years		6	10	0	0	0-4 Years		0
6-10		20	26	0	7	5-9		1
11-15		41	41	5	14	10-14		3
16-20		31	36	5	15	15-19		7
21-25		17	45	1	3	20-24	1	1
26-30		12	42	0	2	25-29	34	3
31-35		12	55	1	0	30-34	33	4
36-40		1	5	0	0	35-39	3	1
		<u>140</u>	<u>260</u>	<u>12</u>	<u>41</u>		<u>71</u>	<u>20</u>

AGES AT RETIREMENT

MISCELLANEOUS	SERVICE	DISABILITY	FIRE AND POLICE	SERVICE	DISABILITY
Under 55	23	37	Under 50	0	11
55-60	113	14	50-54	27	5
61-65	221	2	55-59	27	3
Over 65	43	0	65 & Over	3	0
	<u>400</u>	<u>53</u>		<u>71</u>	<u>20</u>

COMPARATIVE RETIREMENT STATISTICS - JUNE 30, 1978 - JUNE 30, 1982

<u>AVERAGE MONTHLY ALLOWANCES</u>			<u>NUMBER OF RETIREMENTS</u>		
<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>	<u>YEAR</u>	<u>SERVICE</u>	<u>DISABILITY</u>
<u>JUNE 30, 1978</u>					<u>TOTAL</u>
Miscellaneous	480		1978	531	175
Fire	385	--	1979	689	164
Police	1,064	1,120	1980	451	148
	1,017	1,015	1981	460	118
<u>JUNE 30, 1979</u>					
Miscellaneous	503		1982	471	73
Fire	1,072	1,112			
Police	1,040	1,026			
<u>JUNE 30, 1980</u>					
Miscellaneous	477				
Fire	454	--			
Police	1,190	1,098			
	1,150	1,105			
<u>JUNE 30, 1981</u>					
Miscellaneous	490				
Fire	1,269	--			
Police	1,247	1,182			
		1,167			
<u>JUNE 30, 1982</u>					
Miscellaneous	513	--			
Fire	1,434	1,182			
Police	1,370	1,167			
				2,602	678
					<u>3,280</u>

NUMBER OF ALLOWANCES

Retired Members and Survivors

	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>	<u>TOTAL</u>
June 30, 1978				
Miscellaneous	7,223	1,178		8,401
Fire	780	653	104	1,537
Police	730	728	128	1,586
	<u>8,733</u>	<u>2,559</u>	<u>232</u>	<u>11,524</u>
June 30, 1979				
Miscellaneous	7,577	1,262		8,839
Fire	794	778	103	1,675
Police	754	687	120	1,561
	<u>9,125</u>	<u>2,727</u>	<u>223</u>	<u>12,075</u>
June 30, 1980				
Miscellaneous	7,782	1,333		9,115
Fire	794	706	101	1,601
Police	771	803	116	1,690
	<u>9,347</u>	<u>2,842</u>	<u>217</u>	<u>12,406</u>
June 30, 1981				
Miscellaneous	7,951	1,395		9,346
Fire	796	725	99	1,620
Police	794	809	112	1,715
	<u>9,541</u>	<u>2,929</u>	<u>211</u>	<u>12,681</u>
June 30, 1982				
Miscellaneous	8,116	1,430		9,546
Fire	816	728	97	1,641
Police	808	802	112	1,722
	<u>9,740</u>	<u>2,960</u>	<u>209</u>	<u>12,909</u>

MONTHLY RATE OF BENEFITS IN FORCE

	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>	<u>TOTAL</u>
JUNE 30, 1978				
Miscellaneous	3,192,448	454,123		3,646,571
Fire	830,249	686,534	106,182	1,622,965
Police	742,167	676,807	129,972	1,548,946
	<u>4,764,864</u>	<u>1,817,464</u>	<u>236,154</u>	<u>6,818,482</u>
JUNE 30, 1979				
Miscellaneous	3,526,139	526,327		4,052,466
Fire	850,868	755,295	104,208	1,710,371
Police	783,903	726,692	123,094	1,633,689
	<u>5,160,910</u>	<u>1,008,314</u>	<u>227,302</u>	<u>7,396,526</u>
JUNE 30, 1980				
Miscellaneous	3,675,638	605,647		4,281,285
Fire	945,202	851,993	110,857	1,908,052
Police	886,727	829,111	128,197	1,844,035
	<u>5,507,567</u>	<u>2,286,751</u>	<u>239,054</u>	<u>8,033,372</u>
JUNE 30, 1981				
Miscellaneous	3,897,047	635,873		4,532,920
Fire	1,009,984	901,815	117,000	1,911,799
Police	990,248	884,232	130,726	2,005,205
	<u>5,897,279</u>	<u>2,421,920</u>	<u>247,726</u>	<u>8,449,925</u>
JUNE 30, 1982				
Miscellaneous	4,166,907	678,769		4,845,676
Fire	1,170,168	1,005,304	124,918	2,300,392
Police	1,107,331	968,965	141,640	2,217,938
	<u>6,444,407</u>	<u>2,653,039</u>	<u>266,559</u>	<u>9,364,007</u>

NUMBER OF ALLOWANCES

Retired Members and Survivors

June 30, 1982

	<u>SERVICE</u>		<u>DISABILITY</u>		<u>DEATH</u>		<u>TOTAL</u>	
	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>
Miscellaneous	6,683	1,433	1,145	285	0	0	7,828	1,718
Fire	586	230	536	192	0	97	1,122	519
Police	594	214	609	193	0	112	1,203	519
TOTAL:	7,863	1,877	2,290	670	0	209	10,153	2,756

DEATH BENEFITS

FOUR YEAR COMPARISON

A. Number Of Deaths

	<u>1978-1979</u>	<u>1979-1980</u>	<u>1980-1981</u>	<u>1981-1982</u>
Active Members	81	69	44	44
Retired Members	419	364	445	406
Continuants	<u>121</u>	<u>110</u>	<u>124</u>	<u>145*</u>
	621	543	613	595

B. Type Of Benefit

	<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
Continuations & Survivors Death Benefits	233	172	201	209
Death Claims	71	62	62	44
Death Benefits	437	377	372	432
Annuity Payments (Option 1 benefits)	80	84	62	92
Pro-Rata Retired Allowance	<u>529</u>	<u>328</u>	<u>387</u>	<u>391</u>
	1350	1023	1084	1168

C. Industrial Death Allowances

Number of allowances paid to eligible dependents of Police Officers and Fire-fighters who died as a result of injury or illness incurred in the performance of duty during the past five years:

1977-1978	3
1978-1979	5
1979-1980	1
1980-1981	2
1981-1982	1

* Includes 9 discontinuations of all benefits because continuant remarried and there was no other eligible person to receive continuation such as a minor child.

WITHDRAWAL OF CONTRIBUTIONSFive Year ComparisonNUMBER OF WITHDRAWALSAMOUNT OF WITHDRAWALS

JUNE 30, 1978

Miscellaneous	1,007	\$ 2,443,881
Fire	6	41,316
Police	32	207,553
Adjustments	555	21,259

	1,600	\$ 2,714,009 -
--	-------	----------------

JUNE 30, 1979

Miscellaneous	1,259	\$ 4,235,897
Fire	11	34,632
Police	52	217,506
Adjustments	278	62,581

	1,600	\$ 4,550,616
--	-------	--------------

JUNE 30, 1980

Miscellaneous	1,166	\$ 4,235,454
Fire	28	113,388
Police	64	236,046
Adjustments	885	91,931

	2,143	\$ 4,676,819
--	-------	--------------

JUNE 30, 1981

Miscellaneous	1,041	\$ 4,309,326
Fire	7	51,095
Police	47	206,359
Adjustments	561	237,567

	1,656	\$ 4,804,347
--	-------	--------------

JUNE 30, 1982

Miscellaneous	707	\$ 3,765,908
Fire	14	39,563
Police	59	134,566
Adjustments	538	470,682
Non-members	18	1,562

	1,336	\$ 4,412,281
--	-------	--------------

INCOME

1981-82

City Contributions	\$ 140,317,952
Employee Contributions	28,787,964
Bond Interest	86,695,575
Dividends	15,109,887
Profit on Stocks	2,974,620
Profit on Bonds	18,042,247
Estimated Net Accumulations	496,474
Estimated Increase in Accrued	5,162,335
Interest Receivable	5,162,335
	<hr/>
TOTAL	<u>\$ 297,587,054</u>

PAYMENTS

1981-82

Retirement Allowance Rolls	\$ 111,433,870
Withdrawal Rolls	9,933,989
Death Benefit Rolls	531,925
Death Claim Rolls	949,255
Retired Annuitant Rolls	793,162
	<hr/>
TOTAL	<u>\$ 123,642,201</u>

SPECIAL PROJECTS

PROPOSITION F

Propositions F & G were passed by the voters of San Francisco in November 1980.

Proposition F provided all firefighters and police officers who were members of the Retirement System before November 2, 1976, the choice of transferring to a "new" retirement plan with substantially less benefits in exchange for a cash payment to them based on their total years of service as of June 30, 1980 of \$2500 for each year of service for years 1 to 10 plus \$1000 for each year of service for years 11 to 25. The maximum payment was thus \$40,000.

Members who transferred to the "new" plan would become covered by Sections 8.586 or 8.588 of our City Charter; otherwise, members would remain covered under 8.559 or 8.585. Deadline for the transfer was 5 p.m., December 31, 1981.

PROPOSITION G

Proposition G allowed those who had become "new" system members under Proposition F to "vest." "Vesting" was not available under the "old" plan.

Under the "new" plan, members who terminated employment and left their accumulated contributions plus interest in the retirement fund were eligible to "vest" and begin receiving at age 50, 2% of their three year consecutive average salary as of the date of termination for each year of service (up to a maximum of 50%). The decision to "vest" is irrevocable and must be made within 90 days after termination.

Since it was not known with certainty who would wish to transfer to the "new" plan, the Benefits Section staff computed service credit calculations for 2313 eligible firefighters and police officers. Of this number, 240 members or slightly more than 10% transferred to the "new" plan. (Not included in the latter figure is one case which is presently being litigated by the member's ex-spouse to make the recision null and void.)

DEPARTMENT: Retirement
PROGRAM: 70. Retirement Services

PROGRAM PERFORMANCE ASSESSMENT

2. REPORTING PERIOD 81-82 Annual Review

5. OBJECTIVES	6. PERFORMANCE ASSESSMENT	7. EXPLANATION	8. CORRECTIVE ACTION PLAN
NSA To calculate and begin payment of retirement benefits within 3 months after the first of the month following the date of retirement. Exceptions not to exceed 10%.	Excellent, improving throughout year	Reclassified staff from clerical to professional status. Cross trained staff.	Retirement System has contacted with Civil Service and will fund cost of examination to produce a list of eligibles.
NSB To provide the employee membership with an annual statement of their account within 6 months of the close of the fiscal year.	Completed in 5 months.	Better control over work standards during year which left only last few pay periods corrections.	Need to receive payroll imprints from Controllers' Payroll sooner.
NSC To assure that all policemen and firemen will have made their informed decision as to pension plan (Prop F) by 12/31/81.	All current made by 12/31/81.	All electee's paid before end of January, 1982. All completed.	Continue present procedures.
NSD To produce all transaction registers current to within 4 months on the average.	All current to within 2 months.	Upgraded staffing and training, lower turnover of employees.	Cross training of Retirement Analyst's training.
NSE To provide information to members at the reception center in a manner such that waiting time is no more than 15 minutes in 90% of the interviews.	Target met.	Added better backup support personnel to allow for illnesses, vacations or unusual activity.	Continue training program.
NSF To pay refunds of members contributions within 6 weeks of termination and request for refund.	90%	Cross training and upgrading of personnel	Continue training of new personnel.
NSG To reduce to 5 months the time required to complete a financial statement and accountants' report of the retirement fund.	Completed in 4 months.	Received more current reports from Controllers' Office & change of accounting personnel.	

V WORKERS' COMPENSATION DIVISION

The Workers' Compensation Division, an integral part of the overall operation of the Retirement System, is located at the St. Francis Hospital in San Francisco. All employees of the City and County of San Francisco, including the San Francisco Unified School District, receive treatment at the Franciscan Treatment Room for job-incurred injuries or illnesses.

The Franciscan Treatment Room which heretofore had been staffed solely with Retirement System Staff physicians, was relocated to a more modern and accessible area of St. Francis Memorial Hospital during the Fiscal Year. This relocation resulted in a number of immediate benefits. It enabled the FTR to extend its daily hours of operation from 5 pm to 6 pm, with a possibility of extending the operational hours even further at some future point in time. It enabled the FTR to avail itself of the professional service of St. Francis Memorial Hospital Staff physicians as needed, made hospital ancillary diagnostic and treatment facilities more readily available and established a medical review baseline at the inception of treatment. This relocation of the FTR has improved the quality of medical services while simultaneously reducing waiting periods for initial patient examination. The St. Francis Memorial Hospital emergency room staff continued to provide required treatment service in the evenings, weekends and holidays.

In addition to providing for the care and treatment of injured employees, the primary function of the Workers' Compensation Division is to process all injury claims and to determine therefrom eligibility to receive Workers' compensation benefits and to disburse payments for medical and other expenses incurred as a result of injuries or illnesses.

The Workers' Compensation Division also furnishes all medical case material for hearings conducted by Hearing Officers on Police - Fire applications for industrial disability retirement and applications for determinations of job-incurred injuries, as well as all applications for ordinary disability retirement.

In addition, the Division provides medical case material to several Deputy City Attorneys who represent the Retirement System on appeals made to the State Compensation Appeals Board.

An additional important function of the Division is to initiate subrogation recoveries from third parties involved in injury cases involving City employees.

During the course of the year the Retirement System undertook a number of measures to increase the efficiency and effectiveness of the Workers' Compensation Program and to correct deficiencies noted in a Management Audit concluded by the consulting firm of Gates McDonald in February 1981. Additional management staff personnel were diverted to the Workers' Compensation Division to implement solutions to deficiencies noted by the consultant firm. Procedures were revised and standardized, manuals developed for use by all levels of management and administrative staff. Additionally, two consultant firms were retained as technical advisors to assist in establishing objectives and priorities and providing staff support when necessary. The cost of the Workers' Compensation Program increased from \$9,474,582 in 1980-81 to \$9,719,729 in 1981-82 - a mere increase of only 2.6%! It appears that the measures implemented to control cost have been effective.

A considerable amount of staff time, energy and resource have been devoted to the modernization and upgrading of Workers' Compensation activities and the development of harmonious working relationships at all levels.

FRANCISCAN TREATMENT ROOM PATIENT VISITS

Five Year Comparison

	<u>1977-78</u>	<u>1978-79</u>	<u>1979-80</u>	<u>1980-81</u>	<u>1981-82</u>
First Visits	6,037	5,834	7,296	7,308	5,472
Follow-up	<u>5,758</u>	<u>6,172</u>	<u>5,068</u>	<u>5,069</u>	<u>4,343</u>
	11,795	11,906	12,364	12,377	9,815

RECAP - 1981-82

Total Claims Filed: 9,815
Total Visits to Franciscan Treatment Room: 9,815
Total Charges (General and Special Fund): \$9,719,729.79

WORKERS' COMPENSATION DIVISION

Number of disability and non-disability claims by department July 1, 1981 - June 30, 1982

DEPARTMENT	DISABILITY	NON DISABILITY	TOTAL	DEPARTMENT	DISABILITY	NON DISABILITY	TOTAL
Mayor	30	35	65	Tax Collector	9	6	15
Assessor	4	5	9	Registrar of Voters	2	4	6
City Attorney	5	6	11	Recorder	0	3	3
District Attorney	12	17	29	County Clerk	4	7	11
Treasurer	4	4	8	Real Estate	1	3	4
Sheriff	80	76	156	Public Works	222	179	401
Purchasing	41	34	75	Electricity	24	17	41
S.F. Police	1,111	1,157	2,268	Public Health	329	503	832
S.F. Fire	997	501	1,498	Social Service	53	73	126
Recreation & Parks	190	143	333	Coroner	1	4	5
Public Library	18	19	37	Controller	10	19	29
War Memorial	3	5	8	City Planning	2	4	6
Art Commission	4	7	11	PUC/Central Office	3	4	7
Fine Arts Museum	1	2	3	Airport	82	103	185
California Academy of Science	1	4	5	Muni Railway	911	1,051	1,962
Municipal Court	7	8	15	Water	66	87	153
Superior Court	1	6	7	Port Commission	33	49	82
Law Library	0	2	2	Hetch Hetchy	19	34	53
Youth Guidance	4	10	14	S.F. School District	555	546	1,101
Juvenile Court	31	22	53	Civil Service Commission	5	7	12
Adult Probation	5	8	13	Community College	100	49	149
Finance & Records	1	3	4	Retirement System	1	7	8
				<u>4,981</u>	<u>4,834</u>	<u>9,815</u>	

WORKERS' COMPENSATION

FISCAL YEAR 1981-82

<u>General Fund Dept.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
Board of Supervisors	422.09	266.64	0	688.73
Mayor	3,662.12	0	10,380.98	14,043.10
Assessors	6,287.87	0	7,287.05	13,574.92
City Attorney	979.24	0	677.30	1,656.54
District Attorney	8,238.46	581.40	3,835.61	12,655.47
Treasurer	21.00	0	3,000.00	3,021.00
Sheriff	98,401.86	20,350.00	70,306.43	189,058.29
Public Defender	135.10	0	0	135.10
Police	1,135,026.86	154,533.63	637,078.18	1,926,638.67
Fire	1,014,841.25	61,471.53	211,948.23	1,288,261.01
Permit Appeals	0	0	0	0
Rec. & Parks	155,793.13	26,182.80	138,880.84	320,856.77
Public Library	17,377.92	0	3,838.18	21,216.10
War Memorial	4,534.62	0	5,839.72	10,374.34
Art Commission	1,550.27	0	499.18	2,049.45
Fine Arts	1,988.53	0	6,041.70	8,030.23
Calif. Academy of Sciences	752.03	2,800.00	6,131.60	9,683.63
Municipal Court	24,539.48	4,308.75	12,133.06	40,981.29
Superior Court	364.54	0	175.00	539.54
Youth Guidance	865.76	0	483.40	1,349.16
Juvenile Court	19,329.72	7,532.00	19,966.71	46,828.43
Adult Probation	4,117.57	0	1,230.48	5,348.05
C.A.O.	0	0	0	0
Finance & Records	371.23	0	0	371.23
Tax Collector	23,170.64	0	2,413.78	25,584.42
Registrar of Voters	46.10	0	116.40	162.50
Recorder	103.65	0	0	103.65
County Clerk	2,462.58	0	7,560.00	10,022.58
Public Administrator	0	0	0	0
Purchasing	22,676.12	5,500.00	27,455.43	55,631.55
Real Estate	220.19	0	310.00	530.19
Law Library	64.00	0	0	64.00
DPW-General Office	2,682.42	0	306.90	2,989.32
DPW-Building Repair	62,761.60	3,640.00	25,992.87	92,394.47
DPW-Building Inspection	42,970.30	3,640.00	10,837.89	57,448.19
DPW-Engineering	14,055.68	3,640.00	4,631.52	22,327.20
DPW-Central Permit	106.85	0	0	106.85
DPW-Street Cleaning	46,128.44	10,532.50	83,849.24	140,510.18
DPW-Street Repair	64,025.48	8,430.00	38,051.33	110,506.81
DPW-Traffic Engineering	291.97	3,878.00	1,475.00	5,644.97
Page Total	2,781,366.67	317,287.25	1,342,734.01	4,441,387.93

<u>General Fund Depts.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
Balance Forwarded	2,781,366.67	317,287.25	1,342,734.01	4,441,387.93
DPW-Electricity	9,511.71	0	31,276.80	40,788.51
DPH-General Office	8,746.82	1,550.16	24,328.24	34,625.22
DPH-Laguna Honda Hosp.	92,419.50	22,190.54	151,583.92	266,193.96
DPH-Mental Health	8,006.31	3,332.59	23,732.79	35,071.69
DPH-General Hospital	295,339.04	38,668.03	255,942.14	589,949.21
DPH-Emergency Services	31,392.14	6,420.24	41,143.92	78,956.30
Social Services	29,779.50	7,685.29	30,899.11	68,363.90
Coroner	37.00	0	0	37.00
Agriculture	86.71	0	0	86.71
Weights & Measures	0	0	0	0
Controller	6,745.13	560.00	8,442.00	15,747.13
City Planning	1,158.38	0	0	1,158.38
PUC-General Office	1,345.44	0	886.62	2,232.06
Civil Service	439.20	0	(25.00)	414.20
Retirement	3,803.72	0	1,906.34	5,710.06
Human Rights	0	0	0	0
Totals	3,270,177.27	397,694.10	1,912,850.89	5,580,722.26

<u>Special Fund Depts.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
DPW-Road Fund	13,252.06	1,200.00	35,346.09	49,798.15
Airport	96,027.80	15,522.30	65,810.23	177,360.33
PUC-Muni	897,464.90	180,435.72	1,118,676.19	2,196,576.81
PUC-Water	56,781.58	26,611.00	95,200.11	178,592.69
S.F. Port	28,068.28	10,885.00	38,265.28	77,218.56
PUC-Hetch Hetchy	29,766.38	17,005.00	19,529.30	66,300.68
Health Service	455.98	0	2,323.81	2,779.79
Rec & Park - Yacht Harbor	0	0	0	0
SFUSD	413,966.07	89,619.54	262,275.58	765,861.19
SFUSD-Child Care	10,284.11	7,283.50	35,165.67	52,733.28
SF Community College Dis.	30,058.28	6,061.92	33,788.82	69,909.02
Totals	1,576,125.44	354,623.98	1,706,381.08	3,637,130.50

TOTAL CHARGES

GENERAL FUND

Direct Charges:	\$5,580,722.26
Overhead Charges:	501,877.03
Subtotal	<u>6,082,599.29</u>

SPECIAL FUND

Direct Charges:	<u>\$3,637,130.50</u>
Grand Total:	<u>\$9,719,729.79</u>

SUBROGATION SETTLEMENTS
(Third Party Recoveries)

FIVE YEAR COMPARISON

1976-77	\$126,225.67
1977-78	127,699.75
1978-79	94,824.27
1979-80	194,093.62
1980-81	215,766.98
1981-82	257,835.31

(K-1)

MANAGEMENT BY OBJECTIVES

DEPARTMENT: Retirement

PROGRAM 21 Workers' Compensation

PROGRAM PERFORMANCE ASSESSMENT

2. REPORTING PERIOD 81-82 Annual Review

5. OBJECTIVES		6. PERFORMANCE ASSESSMENT	7. EXPLANATION	8. CORRECTIVE ACTION PLAN
NTA	To pay medical service invoices within 45 days of receipt.	49 day average	Most bills paid within 45 days. Problems in processing cause delays.	Creation of a central file room intended to eliminate problem.
NTB	To effect payment of advance temporary disability benefits within 14 days following date of eligibility.	85% average	Delays caused by processing payroll through the Controllers' Office.	Payroll procedure under review.
NTC	To insure initial payment of all disability awards within 6 days following receipt of award notification.	50%	92% processed by division on time; however, payment procedures inhibit payments to be received by participants.	Change check writing procedures by setting up revolving fund.
NTD	To conduct bi-monthly supervisory review of 100% of all cases in which temporary disability exceeds 12 weeks.	80%	There is currently no automatic system for review. Manual procedures account for review of 80-90%.	Diary System will produce 100% review for 1982-83.
NTE	To respond to applications for adjudications within 10 days following receipt.	90% Met	Normal operations meet objective.	Consulting with City Attorney to attain 100%.

F BUDGETARY ESTIMATES

G REVENUE FORECAST COLLECTIONS

255

1

182-83

c2

CITY AND COUNTY OF SAN FRANCISCO

DOCUMENTS DEPT.

NOV 28 1983

SAN FRANCISCO
PUBLIC LIBRARY

EMPLOYEES' RETIREMENT SYSTEM

**ANNUAL
REPORT
1982-1983**



CITY AND COUNTY OF SAN FRANCISCO

EMPLOYEES' RETIREMENT SYSTEM

**ANNUAL
REPORT**

1982-1983



TABLE OF CONTENTS

	<u>Page</u>
HISTORY OF THE RETIREMENT SYSTEM	1-2
ORGANIZATION CHART - RETIREMENT SYSTEM	3
I. RETIREMENT BOARD	4-5
II. ADMINISTRATIVE DIVISION	6-8
Narrative.	6-8
Hearing Officer Cases	7
Deferred Compensation Plan.	8
III. INVESTMENTS DIVISION	9-12
Narrative.	9-10
Statistical History of Investment Portfolios	11
Portfolio Investments As Of June 30, 1983.	12
IV. RETIREMENT SYSTEM BUDGET	13
V. RETIREMENT SERVICES AND ACCOUNTING DIVISION	14-30
Narrative.	14
Plan Membership	15-16
Social Security Coverage.	16
Member Services Unit	17
City-County Dollar Contributions (Three Years).	18
Employee Dollar Contributions (Three Years)	18
City-County Rates of Contribution (%) (Three Years)	19
Employee Rates of Contribution (%)	19
Statistical Data For 1982-83.	20
Number of Retirements.	20
Years of Credited Service.	20
Age At Retirement.	20
Average Monthly Allowances (Three Years)	21
Number of Retirements (Three Years)	21
Cumulative Number of Allowances (Three Years).	22
Number of Monthly Allowances	23
Monthly Retirement Benefits Paid.	24
Death Benefits (Three Years).	25
Withdrawal Of Contributions (Three Years).	26

TABLE OF CONTENTS

(Continued)

	Page
Retirement System Income - 1982-83.	27
Retirement System Payments - 1982-83	27
Special Projects.	28
Accounting And Management Systems Upgrade.	29
IV. WORKERS' COMPENSATION DIVISION.	30-36
Narrative.	30-32
Department Claims Experience.	33
Department Compensation Costs.	34-35
General Fund Departments.	34-35
Special Fund Departments.	35
Total changes.	36
Franciscan Treatment Room Visists.	36
Subrogation Settlements (Five Years).	36

HISTORY OF THE RETIREMENT SYSTEM

- A Brief Overview -

The San Francisco City Employees' Retirement System was officially established April 1, 1922. At that time, the membership was approximately 3700. In 1925, teachers from the school district were admitted as members. 1932 marked the year in which the Police Relief and Pension System (founded in 1878) and the Fire Pension System (founded in 1885) merged with the Retirement System to form the present system.

- Historical Changes to Retirement System -

- 1932 New Charter. No major benefit changes. Continuation of the "Matching Plan" formula, with 70 years as mandatory retirement age. Workers' Compensation Division created, with the City becoming permissibly uninsured.
- 1939 Hetch Hetchy employees admitted into System.
- 1947 1-2/3% formula at age 60 instituted. Mandatory retirement age reduced to 65 years. Elected officials admitted into the Retirement System, exclusive of members of the Board of Supervisors.
- 1960 Social Security coverage for City employees authorized, except Police and Fire uniformed personnel; 50% retirement allowance offset provision established.
- 1968 Cost of living increases (up to 2% per year) authorized retired employees.
- 1968 50% retirement allowance offset plan under Social Security coverage discontinued.
- 1968 Deputized Sheriff personnel authorized to transfer to State Public Employees Retirement System (PERS) - (Actual transfer occurred in 1973).
- 1968 Police and Fire benefits improved, minimum requirements lowered to 50 years of age and 25 years of service and maximum benefit raised to 75% of salary of the rank on date of retirement. Disability benefits allowed regardless of age, percentage from 50% - 90% based on WCAB rating.
- 1972 School teachers allowed to transfer to State Teachers Retirement System (STRS).
- 1973 Miscellaneous employees benefit formula changed from 1-2/3% to 2% at age 60; minimum retirement age reduced to age 50 and disability formula increased to 1.8% of average final compensation. Police & Fire cost of living increases authorized.

- 1974 Major changes to retirement and death benefits for Police-Fire members enacted, effective July 1, 1975.
- 1976 Electorate approved three new retirement plans (reduced benefits): Plans cover all Miscellaneous Employees, Police Officers and Firefighters hired after November 1, 1976.
- 1978 Mandatory retirement at age 65 abolished for all members of the System except Police - Fire.
- 1979 Retirement fund established as a trust fund solely for benefit of active and retired members and their beneficiaries.
- 1979 Authorized pension funds and securities to be held by a recognized financial institution.
- 1980 Established Hearing Officer procedure for disability leaves, disability retirements and death benefits.
- 1980 Established 20 year period for amortization of retirement fund.
- 1980 Authorized Police - Fire buy-out plan and vesting rights.
- 1982 Gave Retirement Board exclusive authority to administer, receive, hold and disburse pension monies for the making of investments.
- 1982 Established fixed miscellaneous member contribution rate at 7.50% effective July 1, 1983.

CITY AND COUNTY OF SAN FRANCISCO
EMPLOYEES' RETIREMENT SYSTEM

RETIREMENT
BOARD

GENERAL
MANAGER

EXECUTIVE ASSISTANT
TO GENERAL MANAGER

LEGAL
STAFF

ADMINISTRATOR OF
RETIREMENT SERVICES

ACTUARY

CHIEF INVESTMENT
OFFICER

ADMINISTRATIVE DIV.

- Assist the General Manager in planning, organizing and controlling management policies
- Conduct Board meetings and hearings
- Prepare and maintain Board calendars, minutes, records, and reports
- Provide liaison with City departments and other agencies
- Administer Hearing Officer process for disability retirements and death benefits

COMPENSATION DIVISION

- Provide medical treatment for injured employees
- Process and maintain injury reports and records
- Calculate and disburse temporary disability payments
- Process and pay medical and related bills
- Furnish Retirement Board and ICAB hearing case records

RETIREMENT SERV. DIV.

- Process and counsel new members
- Process retirement applications
- Calculate and pay retirement and death benefits
- Provide mail, reproduction, and supplies services
- Provide microfilm services
- Provide personnel and payroll services

ACCOUNTING DIVISION

- Maintain ledgers and Journals
- Prepare financial reports and provide budget data
- Maintain active and retired employee accounts

INVESTMENTS DIVISION

- Manage retirement trust fund
- Recommend investment plans and programs
- Implement Retirement Board investment policies
- Evaluate and monitors equity portfolio manager performance
- Conduct liaison with various financial institutions and securities agencies

I. RETIREMENT BOARD

Charter Section 3.670 provides for the establishment of a Retirement Board and sets forth the method for election and/or appointment thereto.

MEMBERS OF THE BOARD (1982-83)

ELECTED BY MEMBERS

Peter D. Ashe	Recreation and Park
Leon Bruschera (Vice President)	Fire Department
Warren J. DeMerritt	Municipal Railway

APPOINTED BY MAYOR

Paul Denning (President)	Investment Executive
Meta K. Stanley	Attorney
Raymond L. Weisberg, M.D.	Internist

EX OFFICIO

Wendy Nelder	President, Board of Supervisors
--------------	---------------------------------

The Board's major functions and responsibilities consist of several broad but comprehensive activities:

1. Determination of policies with respect to the management and administration of the Retirement System.
2. Determination and approval of a diversified investment program.
3. Determination and approval of a tentative budget for administration of Retirement System and final authority for determination and approval of Investments Division budget.
4. Fixing rates of contribution for the City and County, setting economic assumptions and approving of cost-of-living increases for retired members.
5. Selection and appointment of a consulting actuary, hearing officers for disability retirements and death benefits, and outside investment managers.
6. Approval of all contractual obligations, the transfer and appropriation of funds, subrogation settlements, and W.C.A.B. ratings.

BOARD ACTIVITIES

During Fiscal Year 1982-83, the Retirement Board took action on a number of significant items and issues, of which the following are illustrative:

- Contracted with three equity investment management firms to manage the Retirement System's equity investment portfolio (approximately \$330 million), effective July 1, 1982. Firms selected were: Crocker Investment Management Group; Eaton & Howard, Vance Sanders, Inc.; and Loomis, Sayles & Company.
- Authorized a two percent (2%) cost-of-living increase in retirement allowances of retired members, effective July 1, 1983.
- Appointed Granville DeMerritt Acting General Manager in place of Daniel Mattrocce who retired on March 1, 1983 after 38 years of City and County service.
- Appointed Clare Murphy Board Actuary in place of Edmond J. Walsh who retired from City & County service on July 1, 1982.
- Authorized the investment of \$25 million in California residential real estate mortgages per the provisions of the Bosco Bill.
- Authorized the conduct of a comprehensive study of the Retirement System's accounting system and practices by Arthur Andersen and Company.
- Contracted with Alexander & Alexander to implement a comprehensive risk management information system for the Workers' Compensation Division.

In addition, the Board went on record to support a charter amendment on the November 1982 ballot to establish a 7-1/2% fixed rate of contribution for all miscellaneous members covered under Section 8.509 of the Charter; the amendment was approved by the voters and became effective July 1, 1983.

II. ADMINISTRATIVE DIVISION

The Administrative Division assists the General Manager in the supervision and direction of the various plans and programs carried out by the Retirement System. It executes and implements Retirement Board policies and directives, and acts as the chief liaison office in interaction with other city and county policy-making bodies such as the Mayor's Office, Board of Supervisors, Civil Service Commission and Controller's Office.

To carry-out and direct the administration of the Retirement System, the Retirement Board appoints a Secretary-General Manager, who directs all programs and operations required to implement the Board's desires.

The Board also appoints an Actuary and a Consulting Actuary, both of whom provide actuarial expertise to the Administrative Division in the development and implementation of plans, programs and reports governing the benefit structure of the Retirement System.

The Administrative Division performs a wide range of services on behalf of the Retirement Board: It prepares and distributes calendars and minutes of all Board meetings; assists the Board in the conduct of its meetings; prepares a variety of reports and correspondence relative to Board activities; and makes recommendations and proposals to the Board on matters which affect the administration and management of the Retirement System.

The Administrative Division is also responsible for implementing and administering the Hearing Officer process. Hearing Officers, under contract to the Retirement Board, hear and determine all applications for disability retirement, disability leave and death benefits. Two agencies, the California State Office of Administrative Hearings and the American Arbitration Association, furnish Hearing Officers to conduct the various hearings. In all cases, decisions of the Hearing Officers are final.

The Administrative Division, in conjunction with the Workers' Compensation Division and the Retirement System's Legal Office, prepares and distributes Hearing Officer case agendas, assembles all case materials, assists Hearing Officers in the conduct of the hearings, and prepares a variety of correspondence and reports involving decisions and actions of the Hearing Officers.

The following is a tabulation of the number and type of hearings conducted in 1982-83, and the results of the hearings:

HEARING OFFICER PROCESS REPORT

<u>CASES</u>	<u>NO. OF HEARINGS</u>	<u>NO. GRANTED</u>	<u>NO. DENIED</u>
INDUSTRIAL DISABILITY DETERMINATIONS	13	7	6
INDUSTRIAL DISABILITY RETIREMENTS	42	18	24
ORDINARY DISABILITY RETIREMENTS	67	59	8
DEATH BENEFITS	5	5	0
PETITIONS FOR REHEARINGS	27	1	26
TOTALS	154	90	64

Cost of Hearing Officer Process: \$39,874.75

Average Cost per case: \$259

DEFERRED COMPENSATION PLAN

The City's Deferred Compensation Plan for its employees is monitored by the Retirement System's Administrative Division. This plan, inaugurated in 1979, permits City employees to voluntarily defer a portion of their regular compensation until they reach the age of retirement. The wages so deferred are invested on behalf of each employee by the Hartford Variable Annuity Life Insurance Co. in one or more of the investment programs selected by the participant. Neither the deferred wages nor the earnings thereon are subject to federal income taxes until distributed to employee on retirement when, presumably, the employee falls into a lower tax bracket.

Following is a table summarizing employee participation for the past three years:

	Fiscal Year Ending June 30		
	<u>1981</u>	<u>1982</u>	<u>1983</u>
Participants.	1830	2040	2364
Investments in:			
Fixed Interest Accounts	a	\$ 9,347,549	\$14,368,773
Stock Accounts	a	3,375,802	6,345,425
Bond Accounts	a	1,706,124	2,198,307
Advisory Accounts	a b	b	337,812
Money Market Accounts	a b	b	98,345
Government Securities Account	a b	b	14,787
Totals		<u>\$5,119,452</u>	<u>\$ 14,429,475</u>
			<u>\$23,363,449</u>

a) Data by account type not available for 1981.

b) Account not made available for employee participation until 1983.

III. INVESTMENTS DIVISION

The Investments Division is an integral arm of the total operation of the Retirement System. The fiscal integrity and solvency of the System is largely dependent on the successful management of the System's investment portfolio.

Functioning under a broad, comprehensive investment policy adopted by the Retirement Board, the Investments Division conducts an on-going investment program, designed principally to maintain, enhance and increase the System's total assets. The successful administration of the investment fund bears a direct relationship to the overall credit rating of the City and County of San Francisco and determines, in large part, long-term City and County funding costs and liabilities.

The Investments Division is administered by a Chief Investment Officer, an Assistant Chief of Investments, and other support personnel. In addition, the Retirement Board employs three outside equity money managers, a performance measurement firm, and other outside investment consultants and contractors.

The Investments Division performs several primary functions, chief among which are the following:

1. Advises and counsels the Retirement Board in all matters pertaining to investment policy and practices;
2. Investigates, analyzes and recommends asset allocations among investment categories;
3. Provides active in-house management of bonds and other fixed income investments within policy guidelines;
4. Co-ordinates and monitors investment practices and functions of outside equity money managers, including performance evaluation and measurement;
5. Conducts on-going liaison with local and national investment firms and economic consultants to remain abreast of current and projected trends and activities related to investments.

The Investments Division, through in-house and outside investment personnel, invests in broad asset categories such as: short-term or money market instruments, long-term bonds, commercial real estate and residential mortgages, common stock equities, convertible debentures, and related.

INVESTMENTS DIVISION (Cont'd.)

Cost value of the total portfolio increased by \$236,571,838 during the fiscal year. Total income earned was \$126,083,250, producing a current return (yield) of 8.03%. This was a decrease of .33% from the previous year's yield. This modest decrease resulted from a general decline of interest rates during the period. This situation provided an opportunity to sell high coupon bonds at large profits with proceeds reinvested at prevailing lower interest rates. Additionally larger dollar and percentage amounts were invested in equity securities (which yield less than bonds) as per direction from the Retirement Board.

On January 1, 1983, the Retirement Fund became subject to the state-mandated provisions of the "Basca Bill". This bill makes it mandatory that public pension funds in the State of California give "first priority" to the investment of no less than 25% of new funds available for investment into California residential first mortgages. In compliance with that mandate, the Retirement Board, on recommendation of staff, invested some \$42 million in California residential mortgages, the yield of which is equal or superior to other fixed income instruments.

At the close of the fiscal year, the Retirement Board was engaged in a comprehensive examination and evaluation of the total investment program and the personnel structure of the Investments Division. During the ensuing fiscal year, the Board, based on the examination and evaluation, may initiate a plan or plans to reorganize and strengthen the investment function of the System.

A STATISTICAL HISTORY OF THE INVESTMENT PORTFOLIO

(Accrual Basis)

Fiscal Year Ended 6/30	Book Value of Portfolio(1)	Total Income From Portfolio(2)	Mean Book Yield On Portfolio	Year End Book Yield On Portfolio	Adjusted Year End Yield On Portfolio(3)	Realized Gain/(Losses) On Equity	Realized Gain/(Losses) On Bonds
1979	\$ 942,279,586	\$ 58,393,991	6.51%	6.20%	5.33%	\$ (3,777,931)	\$ (404,506)
1980	1,085,585,341	71,498,193	7.05	6.59	7.61	15,415,271	(4,333,707)
1981	1,211,764,605	86,285,210	7.51	7.12	7.40	37,199,021	(33,807,767)
1982	1,333,059,602	111,397,881	8.75	8.36	6.56	(5,031,809)	(18,962,215)
1983	1,569,631,440	126,083,250	8.69	8.03	8.44	7,185,882	(786,289)

Fiscal Year Ended 6/30	Total Realized Gain/(Losses) On Portfolio	Amortized Bond Value At Year End(4)	Book Equity Value At Year End	Bond Interest Income For Year	Equity Dividend For Year	Book Yield On Bonds (Mean Value)	Book Yield On Equities (Mean Value)	Real Estate Value
1979	\$ (8,182,237)	\$ 706,878,531	\$ 195,401,055	\$ 48,241,449	\$ 7,544,542	6.96%	4.30%	\$ 40,000,000
1980	11,081,564	781,764,700	252,866,641	57,121,215	11,030,978	7.67	4.92	45,000,000
1981	3,391,256	867,930,671	283,833,934	69,604,140	12,694,280	8.44	4.75	60,000,000
1982	(23,996,026)	986,111,788	276,947,814	89,428,451	15,624,823 *	9.65	5.57	70,000,000
1983	6,399,593	1,113,839,473	385,791,697	112,970,607	13,112,643	10.76	3.96	70,000,000

(1) Includes only assets under investment management - excludes receivables and cash in Treasury.

(2) Includes equity real estate income.

(3) Income includes gains and losses.

(4) Includes short term (Money Market) securities.

* Includes option income earned under the pilot option program which was discontinued 6-30-82.

PORTFOLIO INVESTMENTS AS OF 6/30/83

<u>Group</u>	<u>Cost</u>	<u>% of Total</u>	<u>Market Value</u>	<u>% of Total</u>	<u>Income</u>	<u>Yield @ Cost</u>
Money Market Securities	\$ 117,405,834	7.48%	\$ 117,405,834	7.22%	\$ 11,293,662	9.62%
<u>Bonds</u>						
U.S. Treasury & Federal Agencies	\$ 117,905,617	7.51%	\$ 105,423,556	6.48%	\$ 10,260,041	8.70%
International Agencies	7,248,752	.46	5,646,000	.35	596,641	8.23
Canadian Bonds	<u>69,021,871</u>	<u>4.40</u>	<u>62,939,363</u>	<u>3.87</u>	<u>7,389,948</u>	<u>10.71</u>
Total Treasury and Other Agencies	194,176,240	12.37%	174,008,919	10.70%	18,246,630	9.40%
<u>Corporate Bonds</u>						
Banking & Finance	\$ 119,089,124	7.59%	\$ 114,887,709	7.07	\$ 14,086,291	11.83%
Industrials	417,307,095	26.59	408,185,034	25.10	42,039,274	10.07
Railroads	4,397,500	0.28	3,201,675	.20	376,758	8.57
Railroad Equip. Trust Certificates	7,453,516	0.47	7,392,193	.45	869,319	11.66
Public Utilities	149,104,489	9.50	106,016,453	6.52	11,748,465	7.88
Private Placements	<u>90,044,951</u>	<u>5.74</u>	<u>85,346,832</u>	<u>5.25</u>	<u>8,847,858</u>	<u>9.83</u>
Total Corporate Bonds	\$ 787,396,675	50.16%	\$ 725,029,896	44.59%	\$ 77,967,965	9.90%
<u>Convertible Bonds</u>	<u>14,860,994</u>	<u>0.95%</u>	<u>16,066,200</u>	<u>.99</u>	<u>1,212,350</u>	<u>8.16</u>
TOTAL FIXED INCOME:	\$1,113,839,743	70.96%	\$1,032,510,849	63.50%	\$ 108,720,607	9.76%
<u>Equity</u>						
Equity Real Estate	\$ 70,000,000	4.46%	\$ 88,680,000	5.45%	\$ 4,250,000	6.07%
Common Stocks	<u>385,791,697</u>	<u>24.58%</u>	<u>504,760,981</u>	<u>31.05%</u>	<u>13,112,643</u>	<u>3.40%</u>
1983 Total Portfolio:	\$1,569,631,440	100.00%	\$1,625,951,830	100.00%	\$126,083,250	8.03%
1982 Total Portfolio:	\$1,333,059,602	100.00%	\$1,084,440,060	100.00%	\$111,397,881	8.36%

IV. RETIREMENT SYSTEM EXPENDITURE REPORT

ACTUAL EXPENDITURES

THREE YEAR COMPARISON

ADMINISTRATIVE

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>INVESTMENTS</u>		
				<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
PERSONNEL SERVICES	\$1,701,779	\$1,902,564	\$2,081,381	\$ 234,162	\$ 242,350	\$ 286,035
MATERIALS AND SUPPLIES	12,877	22,254	27,733	4,881	1,844	3,149
SERVICE CHARGES	531,690	859,360	1,046,588	63,896	166,035	703,570
COMMUNICATIONS	46,375	27,337	30,527	19,234	22,375	37,949
TRAVEL EXPENSE	-	-	-	6,669	2,238	7,249
RENTALS	87,860	97,662	102,260	45,333	61,895	44,867
REPAIRS & MAINTENANCE	1,158	3,987	5,848	283	379	44
EQUIPMENT PURCHASE	899	-	4,439	-	3,751	3,699
MISCELLANEOUS	7,181	13,300	13,382	842	1,902	5,454
TOTAL	\$2,389,819	\$2,926,464	\$3,312,158	\$ 375,300	\$ 502,769	\$1,092,016

COMBINED THREE YEAR COMPARISON

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
ADMINISTRATIVE	\$2,389,819	\$2,926,464	\$3,312,158
INVESTMENTS	375,300	502,769	1,092,016
TOTAL	\$2,765,119	\$3,429,233	\$4,404,174

V. RETIREMENT SERVICES AND ACCOUNTING DIVISION

The Retirement Services and Accounting Division is a broadbased division encompassing the major internal functions of the Retirement System. Several units comprise the Division:

- Accounting Unit
- Membership Accounts Unit
- Benefits Calculation Unit
- Member Services Unit

The Accounting Unit, records and classifies activities related to receipt of revenues; and accounts for payment of all benefits and administrative expenses. The unit is staffed by professional accountants and related accounting clerical personnel.

The Membership Accounts Unit performs a wide range of activities involving the maintenance and upkeep of active and retired members' accounts, records and related items, refund of member contributions upon termination, including microfilm services, mail, reproduction and supplies services.

The Benefits Calculation Unit, calculates and computes retirement and death benefits and cost-of-living benefits increases. Unit personnel, classified as Retirement Analysts, calculate benefits based on a variety of plans and formulas applicable to retiring members, i.e., Police, Fire and Miscellaneous, as well as death benefits payable to beneficiaries of deceased members.

Members Services Unit provides information to and processes all new incoming members and current members involved in personnel transactions such as promotions, transfers, terminations, etc. In addition, Unit personnel interview and counsel outgoing members who apply for either service or disability retirement, and beneficiaries of deceased members.

The Retirement Services and Accounting Division, as an integral component of the total Retirement System structure, performs an invaluable service to the System in providing on-going statistical and financial data, the results of which are used to determine and formulate policies relative to actuarial determinations, employee-employer contributions, and the adequate funding of the Retirement System.

PLAN MEMBERSHIP

The Retirement System consists of six major plans covering Miscellaneous Employees and uniformed members of the Police and Fire Departments. Deputized personnel of the Sheriff's Department and some employees of the Port Commision are covered by the California Stote Public Employees Retirement System. Since 1972, most teachers in the Unified School District and Community College District have become members of the State Teachers Retirement System.

Where reference is made to charter sections covering groups of employees, the following identifies such reference.

CHARTER

SECTION

GROUP

8.509	Miscellaneous Employees On or After July 1, 1947
8.584	Miscellaneous Employees After November 1, 1976
8.559	Police On or After July 1, 1975
8.586	Police After November 1, 1976
8.585	Fire On or After July 1, 1975
8.588	Fire After November 1, 1976

OTHER CHARTER REFERENCES

8.514	Social Security Coverage for Miscellaneous Employees
8.508.1	Teachers in STRS
8.505	Port Employees - PERS
8.506	Sheriff's Employees - PERS

MEMBERSHIP (6/30/83)

<u>BY CHARTER SECTION</u>	<u>NO. OF ACTIVE MEMBERS</u>
8.509	10,663
8.584	7,238
8.559	985
8.586	990
8.585	1,025
8.588	<u>449</u>
TOTAL	21,350

SOCIAL SECURITY

All Miscellaneous Employees are members of the Social Security System, except any members who, in 1960, did not elect Social Security coverage. Members covered under Social Security may elect to reduce their contributions to the Retirement System by an amount equal to the amount contributed to Social Security annually.

MEMBER SERVICES UNIT

The Member Services Unit is responsible for all primary member contacts with the Retirement System. This unit provides information to members or their beneficiaries on a wide variety of matters and provides reference to other divisions as necessary.

The Member Services Unit enrolls all permanent employees into the Retirement System as part of the appointment process. New members are counseled on retirement benefits, contribution rates, the purchase of temporary service and public service, and the designation of beneficiaries.

Members who are qualified or close to qualification for retirement are counseled on their benefits, as well as options available which provide benefits for designated beneficiaries. During the retirement interview process members are provided with pension estimates under the options elected.

A major activity of the Member Services Unit in fiscal 1982-83 was the counseling of approximately 10,000 retired allowance recipients concerning new withholding tax provisions.

SUMMARY OF MAIN ACTIVITIES

Member Services Unit

Fiscal Year 1983

<u>ACTIVITY</u>	<u>NUMBER</u>
Retirement Appointments	1,000
• Applications processed	578
Employees processed	3,423
• New employees	1,589
• All others	1,834
Visits* and telephone contacts**	13,000
Withholding tax contacts	<u>10,000</u>
Total	31,424

*Excludes retirement appointments and employee processing.

**Exclude withholding tax contacts

CITY AND COUNTY CONTRIBUTIONS

Three Year Comparison

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Miscellaneous	\$ 57,991,555	\$ 61,457,644	\$ 69,839,880
Fire	32,541,411	37,384,389	42,856,117
Police	36,395,106	41,475,919	51,261,878
 TOTAL	 <u>\$126,928,072</u>	 <u>\$140,317,952</u>	 <u>\$163,957,875</u>

EMPLOYEE CONTRIBUTIONS

Three Year Comparison

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Miscellaneous	\$ 21,470,742	\$ 22,344,446	\$ 25,685,458
Fire	2,548,162	2,939,747	3,358,687
Police	2,911,911	3,472,275	4,001,814
Additional	13,610	10,049	6,324
Redeposits	<u>56,762</u>	<u>21,447</u>	<u>66,956</u>
 TOTAL	 <u>\$ 27,001,187</u>	 <u>\$ 28,787,964</u>	 <u>\$ 33,119,239</u>

CITY AND COUNTY RATES OF CONTRIBUTIONS

AS A PERCENTAGE OF PAYROLL

THREE YEAR COMPARISON

<u>FISCAL YEAR</u>	<u>MISCELLANEOUS</u> 8.509-8.584	<u>POLICE</u> 8.559-8.586	<u>FIRE</u> 8.508-8.588
1980 - 81	16.99	88.36	90.48
1981 - 82	16.99	88.36	90.48
1982 - 83	17.00	92.50	91.00

NOTE: Rates of contribution are "composite rates" for old and new retirement plans covering Miscellaneous, Police and Fire groups.

EMPLOYEE RATES OF CONTRIBUTION

AS A PER CENT OF BASE WAGE *

<u>CHARTER SECTION</u>	<u>GROUP</u>	<u>RATE OF CONTRIBUTION</u>
8.509	Miscellaneous (Old)	Based on "Age at Entry" Range: 8.00% to 8.89%
8.584	Miscellaneous (New)	7.50%
8.559	Police (Old)	7.00
8.586	Police (New)	7.50
8.585	Fire (Old)	7.00
8.588	Fire (New)	7.50

NOTE: Rates of contribution for all Miscellaneous Employees and for Police and Fire under the "new" plans include one-half percent for cost-of-living. Rates of contribution for Police and Fire under the "old" plans includes one percent for "fluctuating" retirement allowances.

*Except for miscellaneous employees under Charter Section 8.509 whose contributions are based on gross income.

STATISTICAL DATA FOR 1982-83

I. Number of Retirements (7/1/82 -- 6/30/83)

	<u>Service</u>	<u>Industrial*</u> <u>Disability</u>	<u>Non-Industrial</u> <u>Disability</u>	<u>Total</u>
Miscellaneous	375	NA	53	428
Fire	31	3	3	37
Police	29	5	0	34
	<u>435</u>	<u>8</u>	<u>56</u>	<u>499</u>

II. Years of Credited Service Before Retirement

A. Miscellaneous

	<u>Service</u>		<u>Non-Industrial Disability</u>	
<u>No. of years</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>
0 - 5	6	10	0	0
6 - 10	18	26	0	6
11 - 15	35	41	6	13
16 - 20	28	41	5	12
21 - 25	7	35	2	3
26 - 30	15	43	2	3
31 - 35	3	52	0	1
36 - 40	2	13	0	0
	<u>114</u>	<u>261</u>	<u>15</u>	<u>38</u>

B. Fire & Police

<u>No. of Years</u>	<u>Service</u>	<u>Industrial Disability</u>	<u>Non-Industrial Disability</u>
0 - 5	0	0	0
6 - 10	0	0	3
11 - 15	0	3	0
16 - 20	0	1	0
21 - 25	7	2	0
26 - 30	42	2	0
31 - 35	9	0	0
36 - 40	2	0	0
	<u>60</u>	<u>8</u>	<u>3</u>

III. Age at Retirement

A. Miscellaneous

	<u>Service</u>	<u>Non-Industrial Disability</u>
Under 55	9	39
55 - 60	131	14
61 - 65	177	0
Over 65	58	0
	<u>375</u>	<u>53</u>

B. Fire & Police

	<u>Service</u>	<u>Industrial Disability</u>	<u>Non-Industrial Disability</u>
Under 50	0	5	3
50 - 55	35	2	0
56 - 60	16	1	0
Over 60	9	0	0
	<u>60</u>	<u>8</u>	<u>3</u>

*"Industrial Disability" Retirement is applicable only to Fire & Police.

COMPARATIVE RETIREMENT STATISTICS - JUNE 30, 1981 - JUNE 30, 1983

I. AVERAGE MONTHLY ALLOWANCES

	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH</u>
<u>June 30, 1981</u>			
Miscellaneous	\$ 490	\$ 456	\$ -0-
Fire	1,269	1,244	1,098
Police	1,247	1,093	1,105
<u>June 30, 1982</u>			
Miscellaneous	\$ 513	\$ 475	\$ -0-
Fire	1,434	1,381	1,182
Police	1,370	1,208	1,167
<u>June 30, 1983</u>			
Miscellaneous	\$ 560	\$ 514	\$ -0-
Fire	1,513	1,444	1,324
Police	1,445	1,253	1,297

II. NUMBER OF RETIREMENTS

<u>FISCAL YEAR</u>	<u>SERVICE</u>	<u>INDUSTRIAL DISABILITY</u>	<u>NON-INDUSTRIAL DISABILITY</u>	<u>TOTAL</u>
1980-81	460	28	90	578
1981-82	471	20	53	544
1982-83	435	8	56	499

CUMULATIVE NUMBER OF ALLOWANCES

(Retired Members and Survivors)

	<u>SERVICE</u>	<u>DISABILITY*</u>	<u>DEATH IN LINE OF DUTY</u>	<u>TOTAL</u>
<u>June 30, 1981</u>				
Miscellaneous	7,951	1,395	-0-	9,346
Fire	796	725	99	1,620
Police	794	809	112	1,715
	<u>9,541</u>	<u>2,929</u>	<u>211</u>	<u>12,681</u>
 <u>June 30, 1982</u>				
Miscellaneous	8,116	1,430	-0-	9,546
Fire	816	728	97	1,641
Police	808	802	110	1,720
	<u>9,740</u>	<u>2,960</u>	<u>207</u>	<u>12,907</u>
 <u>June 30, 1983</u>				
Miscellaneous	8,306	1,450	**	9,756
Fire	806	727	95	1,628
Police	817	798	105	1,720
	<u>9,929</u>	<u>2,975</u>	<u>200</u>	<u>13,104</u>

*For miscellaneous members, "Disability" refers only to "Non-Industrial" cases; for Fire & Police members, "Disability" includes both "Industrial" and "Non-Industrial" cases.

**Included in "Service" or "Disability" categories.

NUMBER OF MONTHLY ALLOWANCES

As of June 30, 1983

	<u>SERVICE</u>		<u>DISABILITY</u>		<u>DEATH</u>		<u>TOTAL</u>	
	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>	<u>Member</u>	<u>Continuation</u>
Miscellaneous	6,796	1,510	1,146	304	0	0	7,942	1,814
Fire	578	228	535	192	0	95	1,113	515
Police	598	219	603	195	0	105	1,201	519
TOTAL:	7,972	1,957	2,284	691	0	200	10,256	2,848

GRAND TOTAL 13,104

MONTHLY RETIREMENT BENEFITS PAID
(To Nearest Whole Dollar)

	<u>SERVICE</u>	<u>DISABILITY</u>	<u>DEATH*</u>	<u>TOTAL</u>
<u>June 30, 1981</u>				
Miscellaneous	\$ 3,897,046	\$ 635,873	\$ **	\$ 4,532,919
Fire	1,009,984	901,815	117,000	2,028,799
Police	990,248	884,232	130,726	2,005,206
	<u>\$ 5,897,278</u>	<u>\$ 2,421,920</u>	<u>\$ 247,726</u>	<u>\$ 8,566,924</u>
<u>June 30, 1982</u>				
Miscellaneous	\$ 4,166,907	\$ 678,770	\$ **	\$ 4,845,677
Fire	1,170,169	1,005,305	124,919	2,300,393
Police	1,107,332	968,965	141,641	2,217,938
	<u>\$ 6,444,408</u>	<u>\$ 2,653,040</u>	<u>\$ 266,560</u>	<u>\$ 9,364,008</u>
<u>June 30, 1983</u>				
Miscellaneous	\$ 4,653,740	\$ 745,313	\$ **	\$ 5,399,053
Fire	1,219,280	1,049,450	125,802	2,394,532
Police	1,180,347	1,000,054	136,196	2,316,597
	<u>\$ 7,053,367</u>	<u>\$ 2,794,817</u>	<u>\$ 261,998</u>	<u>\$10,110,182</u>

*To qualified dependents of deceased members

**Included in "Service" or "Disability" categories.

DEATH BENEFITS
(THREE YEAR COMPARISON)

I. NUMBER OF DEATHS

	<u>1980-1981</u>	<u>1981-1982</u>	<u>1982-1983</u>
• Active Member	44	44	62
• Retired Members	445	406	380
• Qualified Dependents	<u>124</u>	<u>145^a</u>	<u>117^b</u>
	613	595	559

II. TYPE OF BENEFIT

• Continuation	201	209	200
• Six-months Eornable Salary	62 ^c	44	75 ^c
• Option I (Refund of Member Accumulated Contributions)	62	92	87
• \$100/year for each year of service (Maximum \$1500)	<u>372</u>	<u>432</u>	<u>405</u>
	697	777	767

III. Industrial Death Allowances

Number of allowances paid to eligible dependents of Police Officers and Firefighters who died as a result of injury or illness incurred in the performance of duty during the past three years:

1980-1981	2
1981-1982	1
1982-1983	2

^aIncludes 9 discontinuations because of remarriage of spouse.

^bIncludes 2 discontinuations because of remarriage of spouse.

^cNumber of actual payments made.

WITHDRAWAL OF CONTRIBUTIONS

Three Year Comparison

	<u>NUMBER OF WITHDRAWALS</u>	<u>AMOUNT OF WITHDRAWALS</u>
<u>JUNE 30, 1981</u>		
Miscellaneous	1,041	\$ 4,309,326
Fire	7	51,095
Police	47	206,359
Adjustments	561	237,567
	<hr/>	<hr/>
	1,656	\$ 4,804,347
 <u>JUNE 30, 1982</u>		
Miscellaneous	707	\$ 3,765,908
Fire	14	39,563
Police	59	134,566
Adjustments	538	470,682
Non-Members	18	1,562
	<hr/>	<hr/>
	1,336	\$4,412,281
 <u>JUNE 30, 1983</u>		
Miscellaneous	475	\$ 2,173,850
Fire	4	30,004
Police	67	92,545
*Adjustments	2,918	312,353
Non-Members	31	2,748
	<hr/>	<hr/>
	3,495	\$ 2,611,500

*Adjustments resulting from 1979-80 five-month retroactive wage payment.

INCOME

1982-83

City Contributions	\$163,957,875
Employee Contributions	33,119,239
Bond Interest	106,312,851
Dividends	11,667,747
Profit on Sale of Stocks	7,185,882
Profit on Sale of Bonds	1,473,456
Net Accumulations	790,085
Increase in Accrued Interest Receivable	1,045,995
Allocated Interest by Contraller (on our flaat)	247,175
Equity in Earnings	2,279,000
	<hr/>
TOTAL	<u>\$328,079,305</u>

Increase over 1981-82	<u>\$ 30,492,251</u>
-----------------------	----------------------

PAYMENTS

1982-83

Retirement Allowance Ralls	\$120,479,904
Withdrawal Ralls	2,609,807
Death Benefit Ralls (Retired)	502,019
Death Claim Ralls (Active)	1,294,811
Retired Annuitant Ralls (Option 1)	838,962
	<hr/>
TOTAL	<u>\$125,725,503</u>

Increase over 1981-82	<u>\$ 2,083,302</u>
-----------------------	---------------------

SPECIAL PROJECTS

Five Months Retroactive Pay Adjustment

Litigation brought by City employees against the City and County for pay adjustments for fiscal year 1978-79 was resolved in favor of the employees.

City employees received a retroactive pay increase for the period 7/1/78 to 11/30/78 beginning in October 1982.

In the first phase of this project, Staff had the task of determining what effect, if any, this increase in salary had on miscellaneous member pensions and in certain cases, previously paid death benefits.

Of the 9756 miscellaneous pensions presently being paid, 2022 cases required review to determine if a pension adjustment was necessary; and if so, the amount the Retirement System owed to the member or beneficiary. Of the latter figure, 529 pensions were increased as a result of the retroactive payments.

The second and final phase included an analysis of the retired firefighter and police officer pensions. However, for fire and police members, an additional retroactive increase needed to be included in the overall adjustment of their pensions (S.F. Police Officers Assn. v CCSF, et al., Superior Court No. 735-608). The second phase will be completed in 83-84.

ACCOUNTING AND MANAGEMENT SYSTEMS UPGRADE

The Employees' Retirement System needs to function as effectively and efficiently as possible. To assist in this effort, management and consulting actuary require timely receipt of financial statements and other management information.

Many changes have occurred over the years, especially in the last five to seven years i.e., addition of a second tier of plans in November 1976. These changes have added an even greater and multiple complexity to an already complex system.

Under the present manual accounting system developed in 1949 with automated detailed support for the General Ledger from two systems created in the 1960's, ERS has an extremely cumbersome and bulky system which is difficult to maintain and does not provide great flexibility in providing information adequately. In addition, four payroll systems interface with the detailed member accounting system which was originally set for one system. A fifth system will be added when the new City pay system is installed.

The need for better and timely information has resulted in the Retirement Board authorizing an Accounting and Management System Study. As the first step towards building an integrated retirement information system, emphasis is placed on documenting current requirements and procedures, and prioritizing information requirements. Two important products of this phase include documentation for an Investment Management Information System and documentation for an Automation-Ready Manual Accounting System. Both systems will be implemented in the 1983-84 fiscal year. Training for personnel is also included in the first few months.

The following year will see more detailed definition of ERS information needs and requirements. More analysis will be needed before proceeding to succeeding steps which would include designing a new integrated system. There will be many important decisions which will be made that impact on the future.

VI. WORKERS' COMPENSATION DIVISION

The Workers' Compensation Division, an integral part of the overall operation of the Retirement System, is located at the St. Francis Hospital in San Francisco. All employees of the City and County of San Francisco, including the San Francisco Unified School District, receive treatment at the Franciscan Treatment Room for job-incurred injuries or illnesses.

In addition to providing for the care and treatment of injured employees, the Workers' Compensation Division processes all injury claims and determines therefrom eligibility to receive Workers' Compensation benefits and disburses payments for medical and other expenses incurred as a result of injuries or illnesses.

The Workers' Compensation Division also furnishes all medical case material for hearings conducted by Hearing Officers on Police-Fire applications for Industrial Disability retirement, all applications for Ordinary Disability retirement, and determinations involving job-incurred injuries. In addition, medical case material is prepared for a number of Deputy City Attorneys who represent the Retirement System on appeals made to the California State Compensation Appeals Board.

An additional important function of the Division is to initiate subrogation recoveries from third parties involved in injury cases involving City employees.

In order to increase the effectiveness of this program, the Retirement Board selected the firm of Alexander and Alexander, Inc. Since July 1982 Alexander and Alexander has concentrated on and made considerable progress in the following areas:

- Standards and Audits: Alexander and Alexander has developed standards for the City's Compensation Division which reflect minimum performance in equitable claims adjusting.

WORKERS' COMPENSATION DIVISION (Cont'd.)

The standards specifically define the steps to follow and time frame required to control a claim. In addition to assuring that every claim receives appropriate attention, the standards provide the basis upon which to evaluate adjuster performance on each case and cumulatively reflects overall proficiency. In addition, the audit provides for supervisory review, direction and follow-up.

- Training: Four training sessions were conducted to introduce standards and clarify the techniques and purpose of each item.
- Management Information System: On November 30, 1982 the Retirement Board approved a contract with Alexander & Alexander to use ARIS - Alexander Risk Information Service. The need for this service was critical since the City lacked even the most rudimentary manual system to develop claim statistics. It was impossible to determine the direction of the Compensation Program, control costs and measure the staffing needs of the Claim without a meaningful claim information system.

The ARIS System, which the Retirement Board approved for the Workers' Compensation Program, is a structured claims data collection and reporting system. The standard claim record consists of all basic claim information including dates, location, financial values, loss descriptor terms, etc. All claims data entry and maintenance are performed from online computer terminals. The reporting system with more than 100 select and sort options meets the majority of claims administration needs. Summary and detailed standard reports are produced monthly. The primary benefits expected to accrue from use of the ARIS System are:

- Reduce clerical time and effort required to consolidate and retrieve loss information.

WORKERS' COMPENSATION DIVISION (Cont'd.)

- Monitor all claims costs to evaluate claims adjusters, attorneys and third party administrators.
- Decrease the possibility of legal involvement by providing timely claim follow-up.
- Detect and eliminate duplicate claims.
- Identify excessive losses to recognize trends.
- Reveal potential problem areas.
- Identify repeat claimants.
- Document an accurate picture of total losses and exposures for self-insurance program.
- Examine effectiveness of loss control efforts.

This project was completed on April 15, 1983.

SUMMARY

A cost analysis of the Workers Compensation Program for fiscal 1982-83 indicates that progress has been made in medical management of cases. This has resulted in substantial savings to the City and County of San Francisco. The increase in the cost of the Workers' Compensation program over the previous year was 3.32%. Of the \$7,300,000 budgeted for fiscal 1982-83 in the General Fund the actual amount spent was \$6,629,243. A total of \$670,757 was returned to the General Fund.

WORKERS' COMPENSATION DIVISION

Number of disability and non-disability claims by department July 1, 1982 - June 30, 1983

DEPARTMENT	NON		TOTAL	DEPARTMENT	NON		TOTAL
	DISABILITY	DISABILITY			DISABILITY	DISABILITY	
Board of Supervisors	0	3	3	Purchasing	21	29	50
Mayor	2	3	5	War Memorial	3	6	9
Assessor	1	5	6	International Airport	65	94	159
City Attorney	6	1	7	PUC Municipal Railway	681	506	1,187
District Attorney	11	13	24	PUC Water	66	98	164
Treasurer	1	1	2	SF Port	30	37	67
Sheriff	56	67	123	Real Estate	0	1	1
Public Defender	5	0	5	Civic Auditorium	0	1	1
SF Police	774	682	1,456	Public Works	105	201	366
SF Fire	579	215	794	Dept. of Electricity	9	7	16
Recreation & Park	157	199	356	Public Health	265	595	860
Public Library	6	8	14	Social Services	47	38	85
Art Commission	6	2	8	Coroner	2	5	7
Fine Arts Museums	2	3	5	Controller	4	7	11
California Academy of Sciences	1	0	1	City Planning	0	2	2
Municipal Court	3	2	5	PUC General Office	6	16	22
Superior Court	0	4	4	Civil Service Commission	0	1	1
Youth Guidance	0	2	2	Retirement System	4	6	10
Juvenile Court	26	15	41	PUC Hetch Hetchy Project	20	28	48
Adult Probation	3	2	5	SF Unified School District	341	420	761
Tax Collector	2	2	4	Health Service	0	1	1
Registrar of Voters	2	4	6	SFUSD - Childrens' Center	8	14	22
County Clerk	2	5	7	SFUSD Cafeteria Workers	5	1	6
Public Administrator	2	0	2	SF Community College Dist.	47	67	114
					3,436	3,419	6,855

WORKERS' COMPENSATION

FISCAL YEAR 1982-83

<u>GENERAL FUND DEPTS.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary</u>	<u>Disability</u>
Board of Supervisor	\$ 205	\$ 0	\$ 49,565	\$ 49,770
Mayor	1,173	0	(4,341)	(3,168)
Assessors	785	0	51	836
City Attorney	25,599	0	1,701	27,300
District Attorney	12,421	560	7,963	20,944
Treasurer	210	0	200	410
Sheriff	89,040	13,738	27,610	130,388
Public Defender	722	0	750	1,472
Police	1,596,648	171,169	471,684	2,239,501
Fire	1,048,874	62,925	79,502	1,191,301
Permit Appeals	0	0	0	0
Recreation & Parks	173,893	36,423	137,138	347,454
Public Library	5,120	0	7,627	12,747
Civic Auditorium	140	0	0	140
Art Commission	1,219	0	791	2,010
Fine Arts	3,277	0	2,227	5,504
Calif. Academy of Sciences	682	0	504	1,186
Municipal Court	3,150	5,530	231	8,911
Superior Court	(229)	0	0	(229)
Youth Guidance	1,106	0	718	1,824
Juvenile Court	18,693	10,468	10,044	39,205
Adult Probation	530	0	374	904
C.A.O.	0	0	0	0
Finance & Records	1,115	0	0	1,115
Tax Collector	1,784	0	1,935	3,719
Registrar of Voters	5,353	0	1,003	6,356
Recorder	0	0	3,721	3,721
County Clerk	1,297	0	650	1,947
Public Administrator	2,380	0	0	2,380
Purchasing	28,705	1,260	17,652	47,617
Real Estate	58	0	0	58
Law Library	50	0	0	50
DPW-General Office	1,775	0	0	1,775
DPW-Building Repair	18,876	7,585	15,659	42,120
DPW-Building Inspection	15,361	9,632	3,458	28,451
DPW-Engineering	7,882	3,570	2,626	14,078
DPW-Accounting	581	0	1,596	2,177
DPW-Street Cleaning	102,252	9,930	64,550	176,732
DPW-Architecture	41	0	0	41

Continued next page

<u>General Fund Depts. (Cont'd.)</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
Balance Forwarded	\$3,170,768	\$332,790	\$907,189	\$4,410,747
DPW-Water Pollution Control	77,830	7,847	75,793	161,470
DPW-Clean Water Program	2,678	3,710	3,163	9,551
Dept. of Electricity	2,281	6,140	15,762	24,183
DPH-General Office	8,728	2,500	26,443	37,671
DPH-Laguna Honda Hosp.	80,247	21,811	107,910	209,968
DPH-Mental Health	32,061	316	19,813	52,190
DPH-General Hospital	208,203	38,399	244,878	491,480
DPH-Emergency Services	73,726	4,708	54,446	132,880
Social Services	64,915	7,857	33,478	106,250
Coroner	7,295	0	2,786	10,081
Agriculture	0	0	0	0
Weights & Measures	0	0	0	0
Controller	5,275	2,450	7,299	15,024
City Planning	847	0	0	847
PUC-General Office	6,275	0	0	525
Civil Service	1,423	0	0	1,423
Retirement	1,272	2,398	4,849	8,519
Marina Yacht Harbor	0	0	0	0
Human Rights	0	0	0	0
Totals	\$3,743,824	\$430,926	\$1,504,334	\$5,679,084

<u>Special Fund Depts.</u>	<u>Medical</u>	<u>Permanent Disability</u>	<u>Temporary Disability</u>	<u>Total</u>
War Memorial	\$ 1,775	\$ 0	\$ 494	\$ 2,269
Asian Art Museum	0	0	0	0
DPW-Road Fund	25,632	7,735	23,690	57,048
Airport	114,644	9,617	81,808	206,069
PUC-Muni	870,876	274,134	1,008,896	2,153,906
PUC-Water	100,244	33,808	68,667	202,719
S.F. Port	13,132	7,392	10,650	31,174
PUC-Hetch Hetchy	21,444	12,740	32,874	67,058
Health Service	2,669	0	18	2,687
SFUSD	444,887	119,800	219,001	783,688
SFUSD-Child Care	21,805	20,193	47,971	89,969
SFUSD-Cafeteria	14,002	5,460	20,964	40,426
SF Community College Dist.	45,658	16,730	45,048	107,436
Totals	\$1,676,759	\$507,609	\$1,560,081	\$3,744,449

WORKERS' COMPENSATION

TOTAL CHARGES

GENERAL FUND

Direct Charges:	\$5,679,084
Disability Pay Police:	1,664,864
Disability Pay Fire:	1,418,634
Overhead Charges:	950,159
Sub-Total	<u>9,712,741</u>

SPECIAL FUND

Direct Charges:	<u>3,744,449</u>
-----------------	------------------

GRAND TOTAL:	\$13,457,190
--------------	--------------

SUBROGATION SETTLEMENTS
(Third Party Recoveries)

THREE YEAR COMPARISON

1980-1981	\$ 215,767
1981-1982	257,835
1982-1983	291,558

RECAP - 1982 - 83

Total Claims Filed:	6,855
---------------------	-------

Total Visits to Franciscan Treatment Room:	10,187
--	--------

